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12 September 1984

East Europe Report

POLITICAL, SOCIOLOGICAL AND MILITARY AFFAIRS

Selected Articles on Hungary's Economic
Work Associations (VGMK)

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SELECTED ARTICLES ON HUNGARY'S ECONOMIC WORK ASSOCIATIONS (VGMK)

[This book is a compilation of selected articles found in the Hungarian media examining the social and economic impact of the VGMK [enterprise work association] which as a new economic form was sanctioned by a government decree on 1 January 1982. The function and form of the VGMK embodies a mix of both private and state enterprise and as such has been under close public scrutiny which has focused on both positive and negative aspects of this organizational form. Additional material on the VGMK may be found in the following: JPRS-EPS-84-057, 2 May 1984 pp 21-22, "Tensions Over Enterprise Related Income Noted"; JPRS-EPS-84-060, 9 May 1984 pp 18-20, "Introduction of Specialized Work Groups in Schools Probed"; JPRS-EPS-84-072, 18 June 1984, pp 33-36, "Effects of Economic Work Collectives Studied" and subsequent issues of this JPRS series.]

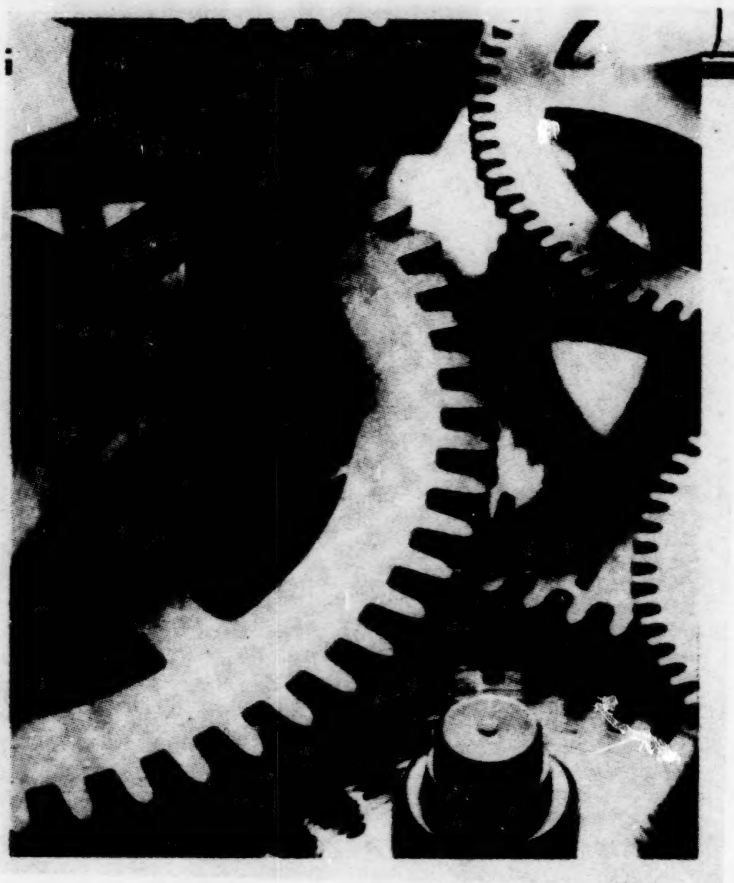
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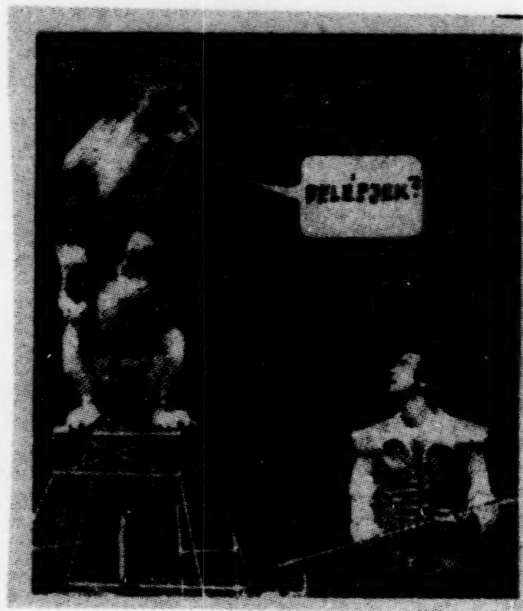
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PICTORIAL, CARTOON COMMENT ON VGMK

Budapest OTLET in Hungarian 10 May 84 frontcover, pp 8, 10, 13



The central cogwheel?



Shall I join?



Title: Wild offshoots
Under clock: Working Hours, enterprise
work association [VGMK]

CSO: 2500/397



There is no enterprise
work association

SOCIOLOGICAL RAMIFICATIONS OF VGMK'S EXPLORED

Budapest IPARGAZDASAG in Hungarian Apr 84 pp 23-24

[Article by Dr Peter Szirmai, Budapest Technical University: "The Sociological Aspects of Intra-Enterprise Small Enterprises"]

[Text] Those who read only the news of the daily press or only listen to the radio regarding small enterprise and the economic significance of the new sector will be easily misled. It might appear from the press that the slogan, "We Have Become a Country of Small Enterprise," is true. We are given more information on the economic concerns and results of the contractual public washroom on Batthyany Square than on the 16 billion forints that were spent in the past years to bail out the GANZ-Mavag. In the following I would like to prove that although we are far from becoming a country of small enterprises (this cannot be our goal either), we have created something, the social significance and role of which points far beyond its economic role.

Let us look, first of all, at the quantitative data between June 1982 and August August 1983, of the GMK [work associations] and VGMK [enterprise work associations], the two most popular forms of small enterprises, yielding more than 80 percent of small enterprise both in terms of the number of enterprise units and the number of workers. (Figure 1)

The quantitative data reveal little of the identity of entrepreneurs and the motives of enterprise. It would probably be misleading to give a summary answer to this question, for the various social strata have various motives for enterprise.

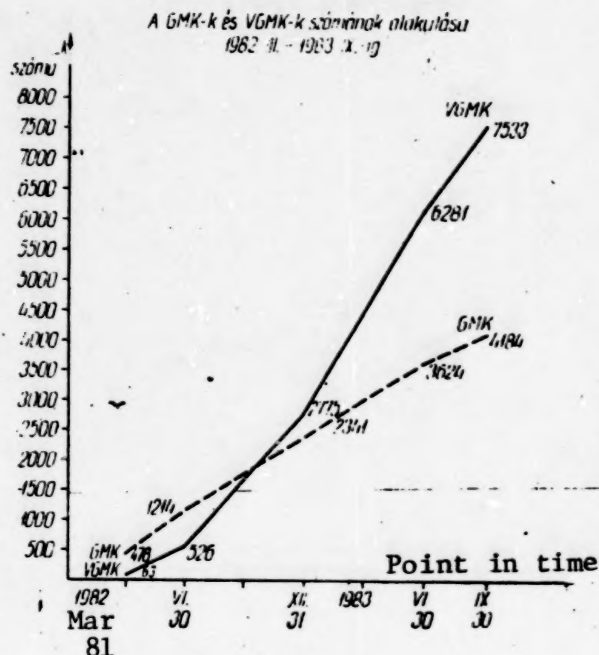
The "Waves" of Small Enterprise

According to my experience and research, five great waves of small enterprise in the 1980's can be identified.

1. The first experimental wave was connected to the heralded contractual operations in the catering industry.

Growth of GMK's and VGMK's Between March 1982 and September 1983

Number of
organizations



In this, only a special social stratum was able to participate, namely, those who were working in domestic trade even previously. They were the only ones who were able to subjectively and realistically assess the risks and benefits of this form of enterprise. On the other hand, the leasing enterprise objectively demanded professional competence from the applicants. I will not deal here in detail with contractual operations. Their significance could be great (for the basis of the lease and the enterprise is the expected increase in capital--and not the existing amount of capital) but in practice they became limited to the operation of retail and catering units.

2. The second great wave, in the area of private initiative, started after March 1981. This was the wave of associations based on civil law (pjt's) that were newly established with the help of a "legal loophole" found in the new civil code.

This wave affected two well-definable social groups, namely, the intellectuals of 40 years of age (and even younger ones under 30) employed in computer technology or sportsmen working as divers, mountain climbers, and cavers who have been working in sports clubs for very low remuneration. The number of these clubs increased in a few months to several hundred as a result of just one newspaper article. Their membership ranged from 7 to 10 persons on the average.

They had a role following first wave of small enterprises that began after January 1982.

3. This wave included mostly intellectuals, about 40 percent of whom work in the area of computer technology. Nationally, about 600 to 700 work associations (GMK's) were established during the first 5 months of 1982, when it was this stratum that dominated the establishment of associations.

Their motivation had several aspects. Both the low salaries of beginners and a low social status were responsible for their quest for supplementary income.

It was the intelligentsia that was (and still is) the least able to cope with the absurdity of the Taylor [sic] labor organization which kills the soul and negates individual creativity. And, not the least, this group is the one which is reached first and most efficiently by social information, i.e., the intelligentsia was the first to "catch on." From a certain aspect we can say, of course, that the GMK's established at that time meant a more controlled and taxed but also a more open and more implementable form of division and re-allocation of supplementary incomes for the intelligentsia. Because of tax benefits, many pjt's changed to GMK's.

4. It was between April and June 1982 when a new stratum came to the fore (similar strata had existed experimentally before as well, of course, but now they began to dominate), namely, the skilled workers with more than one specialty who even before had alternate strategies in the various areas of the labor market, who made good money and who were preceded by several generations.

I am thinking here of plumbers, electricians and rod-iron workers, employees of enterprises which demanded high specialization from their workers (Real Estate Management Enterprise, Industrial Plumbing Enterprise, etc.). Since these specialties greatly depend on tools and materials, no one had enough trust in the new form of enterprise to risk his own capital. For this reason, most of these associations were established in the form of enterprise-based work associations (VGMK's). Enterprise interests manifested themselves in the low risk in keeping its workers contracted with the VGMK and even with the possibility of extra profit. Nationally, the number of the VGMK's that were established at that time was not great--about 150-200 in the months of April, May and June 1982. Motivation for the participants included higher income, legalized overtime and, not in the least, professional advancement, because anyone may practice any profession in the VGMK if at least one VGMK member has the necessary professional training.

5. Until June 1982 the enterprise sphere remained essentially unchanged. The initial reaction of large enterprises was characterized more by opposition and fear than by an offensive attitude.

Limited enterprise means available for wage funds--and their further reductions in the summer of 1982 by central authorities--suddenly changed the strategy of an increasing majority of the enterprises. In the first 6 months of the year a total of 800 GMK's and 200 VGMK's were established, but the number of VGMK's established between July and September alone exceeded 1,500.

Change of Employee Strategy in the VGMK's

In the case of the enterprise, the motivation is evident: the wage funds are inadequate for paying for the output. On the other hand, a significant part of the workers often joined the VGMK's without any apparent motivation. The management announced that there will be no escalator pay and overtime pay, this is the only way the enterprise can pay.

In our country, the ratio between the free and the set market price of labor is at present an average of 1:4 or 1:5, with great variations in the various professions and economic regions. This means that a skilled worker whose hourly wage is 18-20 forints will ask for 100 forints for the same work when moonlighting. At the same time, because of taxes and other interests, the ratio between the enterprise's "overhead forint" and "wage forint" is also roughly 1:5 or 1:8. Thus the demand from the worker and the possibility for the enterprise to increase wages do exist. The coupling of these two factors means that the sums that are being poured out as incomes are higher than the sums that would flow out as overtime wages or hourly wages.

The following statement is then undoubtedly justified: the VGMK's members, who work exclusively parttime, without individual capital investment, using only enterprise equipment and undertaking minimum risk, follow the employer's strategy rather than their own interests in enterprise. Still, it would be misleading to interpret the activity of proliferating VGMK's as a "new kind of overtime."

For at present the GMK and VGMK are still social--and not economic--events, and their role and significance must be assessed accordingly. Small enterprise may relieve tensions (e.g., social tensions resulting from lower living standards) that may be detrimental for our economy. Further, and even more importantly, with the sector of small enterprise we have created something of which very little has been publicized to date although its significance goes beyond any other economic factor.

When we use the terms "industrial work" or "factory," we think exclusively of labor organization developed during classical capitalism. This separates, almost independently from the social-economic formation, mental and physical work and dooms the worker exclusively for an executive function. The worker, being degraded to a mere screw in the production machine, wants to resolve his alienation at least outside of his job. He organizes his work in a way that will not allow his alienation to interfere with production. This alienated work organization remains unchanged, both production conferences and factory democracy or the capitalist organizational theories of "partnerschaft" notwithstanding. It seems that in industrial production it is a technological imperative to rigidly separate planning and implementing functions.

The Small Enterprise as a Production Ratio

But another production relationship emerges in small enterprise: there is no compulsion for work, the worker offers not only his work but his entire personality, carrying out tasks as an entrepreneur; his earnings come not as much from his work performance (expressed, as we know, in the form of products) as from his entrepreneurship that includes profit as well. This fact raises, of course, the problems of internal interests of enterprise in a new way, inducing characteristic problems at the merging point of the two economic sectors.

Conflicts Within Enterprise

Even up to now there has been in the enterprise organization a kind of relationship of center vs. periphery between the various groups that was partly informal, partly indirect.

The center included, and includes, those qualified skilled workers who, because of their professional know-how (or their rare specialty, e.g., shaping by machine), working traditions, strong communities and formal hierarchy, have stronger positions to implement their interests than do other groups of workers.

The edge of the periphery includes mainly unskilled, commuting, heavily drinking strata with the status of guest workers not involved in enterprise organization, decent work and social culture.

The introduction of new forms of enterprise increased the distance and, consequently, the conflict between the center and the periphery. New strategies became possible for both the management (who should be allowed opportunity to entrepreneurship?) and the workers' collectives (what jobs and incomes can be transferred to the enterprising sector?).

The equalitarian view spreading downward is apparently being substituted by a differentiation based on performance coupled with worker solidarity. This may be eminently used for attaining enterprise goals--if the management assesses and uses it appropriately. A defensive management policy toward private enterprise is without conception and, at the same time, it elicits the danger of dissipating enterprise resources and that of unhealthy rivalry between groups of workers.

Possibilities and Limitations of Corruption

In leaving the inner circles of small enterprise we find a characteristic conflict, namely, while it is almost impossible to bribe or corrupt the small entrepreneur (for he, and his pocket, is the one that hurts most by every single forint that is needlessly spent), there is a great temptation for those handling state funds to pump money into the small entrepreneur's pocket in case enough individual interest exists (corruption). Thus the sphere of small enterprise in itself diminishes corruption but it is expected to increase it at the borderline.

It is apparent that every mobile and developing system, including small enterprise, while resolving earlier tensions, also induces new conflicts.

Work Organization Based on Free Association

Work based on free association of individuals, which sooner or later will break down the undermining and alienating work organization, is unfolding in our society and has resulted in a contradictory processes, but it is unfolding indeed--even if as a result of occasional emergency measures. The GMK's free entrepreneur will find it difficult to adapt to the "wage slavery" based on hourly work or output. And, on the other hand, the large socialist organizations, if they want to compete with the GMK's, must also give more freedom to their entrepreneurs--primarily in the process of developing their own profile of activity.

PARTY POSITION TOWARD POSITIVE ROLE OF VGMK EXPOUNDED

Budapest TARSADALMI SZEMLE in Hungarian Jun 83 pp 69-78

[Article by Zoltan Roman: "The Socialist Enterprise and the VGMK: Initial Experiences of the Enterprise Business Work Partnerships"]

[Text] The governmental regulation which made possible the establishment of enterprise business work partnerships (hereinafter called VGMK) was issued on 1 January 1982. In the course of the year altogether 2,775 such units were created, 1,457 in industry, 864 in the building trade, 7 in commercial enterprises and 410 in service enterprises. This is approximately one-fourth of the 11,145 so-called new type economic organizations; the number of (chiefly agricultural) specialized co-op groups and business work partnerships formed by private individuals and by (cooperative) fixed rate departments is of a similar magnitude.¹ Henceforth, however, I will only be concerned with enterprise business work partnerships, first and foremost those which have come into being within industrial enterprises.

Although merely some 10,000 persons work in this organizational form, many hundreds of thousands of workers keep a close eye on their activity and their surplus income; the operation of these organizations powerfully engages public opinion--and especially the workers in industry. Let us also consider this: industry provides nearly half of our national income and 75 percent (together with the food industry's 90 percent) of our exports; in the conquest of our economic difficulties we expect greater output principally from industry, and in industry we seek new organizational forms and solutions. How can the VGMK's help to accomplish this task? This is really a significant question.

The number of VGMK's has continued to grow since the time of the cited data survey. The guardedness common in the beginning has dissolved. The establishment of new VGMK's is today permitted and even supported by the management of enterprises which rather rigorously opposed it last year. In part their opinion has changed, and in part they see that they must yield to the internal pressure sustained by the examples of associate enterprises. At the same time, the debates in connection with the usefulness and practicability of this organizational form have not died down.

I believe we can eliminate the controversy's two extremist points, or views. One is the dismissal of all objections under the pretext that aversion to what

¹ See the "Hungarian Statistical Handbook," 1982, p 211.

is new manifests itself in them. (At one time in agriculture such an aversion also surrounded the idea of strengthening the household farming plots, and now the creation of the "industrial household plot" receives support.) Frequently, of course, unreasonable misgivings and reservations chiefly about the new and the unfamiliar really lie hidden behind the objections, but perspicacious and sober reflection and the effort to weigh the favorable versus the unfavorable, the momentary versus the long-range effects give grounds for other arguments.

In my judgment we can eliminate another element of the controversy: the fear that the VGMK's are at variance with the fundamental principles of socialist management. The VGMK's are created within enterprises under public ownership and operate under their supervision--the socialist ownership nexus and the essential features of socialist management are not affected. At the same time those questions that in connection with the VGMK's operation--aside from the narrower economic effects--examine the relationship of work time and free time, the basic principles of the wage system, and the social requirements and interconnections affecting equal opportunity are very much worthy of our attention.

Public opinion today expects a renovation of our macroeconomic management system, finds it slow and considers the steps taken in direction inadequate. The regulation which made possible the establishment of VGMK's is part of a series of measures which make the economy's organizational system more flexible and which vitalize enterprises--a series of measures which we have greeted with pleasure. This does not mean, however, that it is superfluous or unnecessary to examine the kind of preparation and conceptions this regulation was born with, the lessons the experiences of its application provide so far, whether the VGMK's give hope for the realization of the ideas, and above all, how they affect the attainment of the primary tasks facing industry.

Several appraisals of the first experiences of the VGMK's have already appeared; a few other reports are known only in the official network. The survey I would like to give in what follows is based on our inquiry at 47 enterprises and 2 trusts. Workers from the Industrial Economy Research Group conducted conversations at 20 organizations; beyond this, from among 18 country organizations of the Hungarian Economic Society 14 fulfilled our request to acquaint us with the experience of one or several enterprises. Altogether, the 49 economic units suitably represent the major branches of industry, generally with large (among them, some of national importance) and medium-scale enterprises; moreover, we also received accounts from a number of construction enterprises. Aside from certain overlappings, I am able to say that we have a definite picture of the operation of roughly 600 VGMK's. This is a significant sample, substantially bigger than those examined previously.

I must immediately add, however, that this large number is also due to the fact that two trusts play a part in our sample and, in addition, two enterprises which were among the first to begin popularizing this organizational form on a large scale; today they have, respectively, over 100 and nearly 100 economic business work partnerships. (I am not going to name the enterprises in my examples; during our conversations we made promises to this effect in

the interest of honest answers.) At many enterprises there are no VGMK's at all, and in the majority of enterprises we became acquainted with (31, and among these very large enterprises played a role) their number at the start of the year did not reach 10. Thus we can speak of a diverse picture and in reality only of initial experiences.

The work force figures present a similar diversity. The 600 VGMK's examined comprise about 7,500 workers; more than half of these are concentrated at 4 enterprises. At the same time, a few VGMK's compel the large majority of workers at each enterprise to take a stand, to engage in debate: Our topic thus affects many hundreds of thousands of workers and important managerial decisions.

The average work force of each VGMK in our sample is 12-13 persons. Besides the units which approach the permitted limit of 30 persons, groups of 3 or 4 persons are also frequent. Aside from enterprises which plan and carry out construction work and a few smaller industrial enterprises where the number of VGMK members reaches 25-30 percent of the total work force, their proportion in few places exceeds 2-3 percent. In addition, we have a large enterprise at which this proportion today is already 12 percent, and at a number of enterprises there are workshops and departments where it is 30-40 percent. The picture obtained of the VGMK's is thus very diverse from this viewpoint, and it means that with the introduction of this organizational form complete enterprise independence has really asserted itself.

In our sample those enterprises which created VGMK's in a proportion higher than the average have great importance, but we also talked with enterprises which held back on them. Moreover, enterprises belonging to the first group spoke profusely about the problems of the VGMK system--on the basis of their very own experiences. We heard about positive experiences, troubles and misgivings. We became acquainted with the opinions of upper- and middle-level directors, social organs, VGMK members and outsiders. By a comparison of all these, we are able to make an attempt at striking an intermediate balance.

If we examine what the VGMK's are engaged in and how they operate, the picture is not at all as diverse as it is with regard to their numbers and proportions. Roughly two-thirds of the VGMK's about which we received reports perform their work in the sphere of the enterprise's basic activity, one-third in a sphere of ancillary activities (repairs, maintenance, tool and package manufacturing, etc.). In the field of basic activity they primarily handle assignments for which it is difficult to secure manpower or surplus labor either because of uncongenial working conditions or because of a lack of technical knowledge. The VGMK's with few exceptions work for their own enterprise; they are associated with outside customers through the mediation of the enterprise. This derives to a significant degree from the fact that their work is for the most part powerfully linked by many threads to the principal activity of the enterprise.

The most frequent form of payment is the task wage calculated on the basis of standard hours. The wage rate is at least 50 percent--usually with the overtime bonus 100 percent--higher than the basic hourly wage of the workers

affected, but it often surpasses this level, too. An agreement to pay promptly and in cash for each major job is common. Again, the basis for this is either the previous wage rate and the reckoned time or--if there is such--an outside contractor rate. We come across various practices on this point. Many enterprises in this case calculate that the net income of VGMK members is 2-2.5 times their ordinary wages. In other cases greater income is also permitted by sharing in the savings achieved in relation to the price charged by the outside contractor.

The savings, which show up as the difference between the fee paid to the VGMK's and the fee requested by the outside contractor, are for the most part very significant. This derives from the fact that the VGMK members perform the task with greater expertise and particularly greater knowledge of local conditions. The difference, however, is mainly due to the fact that the outside contractor charged for his total overhead, the VGMK for only a fraction of it. Its replacement with the internal manpower of another enterprise is also advantageous from the viewpoint of simplification of deadline, safety and management (if it is a matter of a task which the enterprise's workers themselves know how to do well); from it multiply the enterprise's profits. Therefore, they repeatedly resume cooperation "displaced" earlier for regulatory reasons; at other times they seek and discover newer such possibilities.

To return to the accounting questions: there are examples for relatively exact calculations, too. One of the enterprises had so far paid 214 forints apiece for one kind of package; now a VGMK is manufacturing it. The VGMK pays the enterprise 112 forints for the raw material, shipping and energy expenses. It delivers the package to the enterprise for 152 forints; the VGMK is thus left with a gross income of 40 forints for each package. In few other examples the enterprise gives the material free of charge, and the VGMK pays for the overhead and machinery use; the final price covers this and the members' income. The most frequent solution, however, is a task-wage system between the enterprise and the VGMK. This is largely justified by two circumstances:

1. Most activity of the VGMK's does not have a market price.
2. Starting from the market prices, it is possible only with very complicated calculations to ascertain reasonable internal prices which permit merely "justified income" for VGMK members.

It is, of course, very difficult to decide how much is "justified" income. If the VGMK works on the true entrepreneurial market, any kind of income is in fact justified over and beyond the normal taxation system. In the majority of VGMK's which have been created so far, however, there are few actual entrepreneurial elements. We most often encounter an idea for innovation, streamlining or business which is a decisive part of the undertaking, but if it is simply a matter of continuing the basic activity, we cannot speak about it. They bring no resources at all, or only insignificant ones, into the associations. They rarely have to run a risk; for the most part, their enterprise assures them all the assignments and the conditions for carrying them out.

This, of course, is a far cry from what we have often been able to hear and read about the VGMK's: the partnerships which strengthen cooperation and back-ground industry and help supply the population with goods. Rather, it is characteristic of the majority of today's VGMK's that:

--it is an enterprise work organization form that operates with enterprise resources,

--it is flexible and based on surplus labor,

--it is exempt from the restrictions of wage regulation,

--it allows considerable room for worker initiative and independence, but in the final analysis,

--it works by adapting to the enterprise work system and organization.

Today the solutions differing from this are exceptions. In a few cases (for example, designers) they perform their work at home, in other cases (mechanics) at outside workshops. There is also an example where the enterprise leases an outside workshop for the VGMK. For the most part the VGMK members do the same thing as in their primary work time; on other occasions, they perform work which is different, perhaps pertaining to another trade. But where and insofar as the task performed by the VGMK is in contact with the enterprise's fundamental activity--and it is in much closer contact than in the analogous relationship between household farming plots and agricultural units--it must inevitably adapt to the enterprise's arrangement and organization of work.

It is an often mentioned observation that the productivity of work in the VGMK's is higher than that of work performed in primary work time. We have insufficient reliable data on how much higher. Some accounts, for example, in relation to designers and standardized textile industry work, mention output greater by 20-30 percent, others 50 percent, from time to time 100 percent. (We can, of course, say conversely: work productivity in primary work time is for the most part lower than what is possible as demonstrated by the VGMK's example.) Playing a role in the productivity difference is the fact that, as a rule, workers capable of greater output join the VGMK's, they dismiss ideas aimed at holding back on performance, they manage their time better, and with greater independence they organize their work more efficiently.

The reports mention a few examples where occasionally--if the enterprise leadership does not pay enough attention--there is selection among the jobs and it also happens that already during primary work time preparations are made for tasks to be performed in overtime. This is not typical, however; the enterprise opinions tend to mention that "...work might be done more efficiently if the enterprises knew how to pay bribes." In the workers' sphere it is written that "most object to this and ask why it isn't possible to achieve this output during regular work time within the enterprise..."

Members of the VGMK's attain, on an hourly basis, 1.5-3 times their earnings gained in primary work time. This variably complements their monthly income--

depending on the proportion of additional work expenses--by 25, 50, or 100 percent. This is frequently in proportion to, and at other times greater than, what their work performed at higher productivity in itself justifies. For the enterprises, however, this is a paying proposition, namely, through the advantages which can be gained by the removal of bottlenecks and through the savings which can be attained by the elimination of overhead expenses and recourse to expensive outside contractors. All this in greater proportions, of course, means a rise in the wage level, but what one of the enterprise reports alluded to is certainly premature: "...the overflowing surplus income... leads to an acceleration of inflation." Nevertheless, this question engages the attention of the enterprises; this idea returns in another account in this phrasing: "...very many fear that the income flowing into the VGMK's will drag behind it an additional increase in the level of retail prices..."

Some enterprises have restricted the VGMK's surplus work time or surplus income. These restrictions are very dissimilar: they fluctuate between 50-100 hours and 2,500-6,000 forints a month. Other enterprises have not fixed restrictions of any kind, and this has brought with it on several occasions an absolutely astonishing abundance of overtime and surplus income. We received the suggestion from a great number of enterprises that it would be more proper if the enterprises designate such limits. The employer hereby limits the worker's decision--with regard to the management of his free time and work time, in defense of his health and his output in primary work time--only to the extent that he is not given the opportunity to undertake disproportionate surplus work. The worker can, if he sees fit, use the additional free time for other work.

Restriction of surplus income has two sides: if it is really only remuneration for extra work, we indirectly keep work time expenditures in bounds. If there is an entrepreneurial fee in the surplus income (for which there are likewise many examples), the restriction is not justifiable; its role must be filled by a proper taxation system and by competition which holds down prices.

Let us attempt to summarize what the explanation is for the great differences among enterprises which pursue similar activity within the same branches, both in the number and proportion of VGMK's and in the conditions and method of their operation.

Many kinds of factors motivate the workers' guardedness toward or endorsement of the VGMK's. Among these the following seem to be the most important:

- the demand for surplus income,
- a readiness for extra work outside work time,
- the possibilities offered by enterprise leadership,
- the favorable proportion between extra work and extra income,
- the likely reaction of the (workshop, home and outside) environment.

As we have seen, the members of VGMK's created so far rarely assumed a substantial risk, they brought no possessions at all, or only a negligible amount, into the enterprises, and it was chiefly the complexity of administrative regulations which aroused in them the feeling of "risk." In the case of the existence of other conditions, the likely reaction of their surroundings might have been a retarding force for them. Moreover, let us not forget that a fairly large proportion of workers in industry have another possibility for legal supplementary income, above all, through the household farming plot. In this case they choose from among the ways of obtaining surplus income. It is probable that the hourly earnings in the VGMK's are higher than for work performed in the household farming plot; the latter, on the other hand, has proven to be a stable and long-lasting source of income. Members of VGMK's cannot regard this as guaranteed owing to the uncertainty of future demand for their work.

Let us assume that under these circumstances and with respect to the mentioned subject factors in the distribution of workers there is seldom a substantial difference among the large enterprises. The attitude of the enterprise management largely brings about variations in the number and proportion of VGMK's. This attitude not only determines what possibilities are sought, found and recommended for the establishment of VGMK's but also influences the reaction of the entire workplace and often the wider local surroundings. I do not consider this a shortcoming. The VGMK's affect the inner life of enterprises so deeply that the enterprise management must feel and shoulder responsibility for the regulation of their creation and operation.

The management of most enterprises acted in this manner: according to its standpoint, it restrained, permitted or encouraged the spread of VGMK's. This standpoint is influenced by the management's conception in addition to consideration for the enterprise's characteristic features and its situation at the moment. Knowledge and evaluation of its own experiences and those obtained at other enterprises play a greater and greater role. At the majority of enterprises examined the management, of course, decided in favor of experimental application of this form. We can recognize as a tendency the more rapid spread of this organizational form at enterprises and in branches which are in a more difficult situation.

The big differences among the individual enterprises were also discernible in this activity in the level of management and organization. Some enterprises have assured compliance with the demands of regulations and reasonableness (these do not always coincide) in the creation and setting into operation of VGMK's through exemplary consistency and organization. We received reports of other enterprises in which the management followed this process with little interest and did not keep a firm hand on its supervision. The few, definitely negative, examples occurred at such enterprises.

Three important tasks devolved upon the enterprises' management in the creation and setting into operation of VGMK's, and time after time they put to the test the management's ingenuity, political acumen and knack for organizing.

The first task for the management issued from its need to help in the VGMK's protracted authorization process, because the workers inexperienced in such administrative transactions for the most part automatically recoiled from this. (This also explains why, at the outset, manual laborers scarcely undertook to establish VGMK's.) Nearly every one of the reports received from and about the enterprises noted that the regulations for authorization of VGMK's are unduly complicated, and in some questions--local investigators and revisers preparing reports from individual counties also indicated this--unambiguous directions are not given. Many enterprises themselves therefore guaranteed an organization for helping to create and operate VGMK's; elsewhere, after a short time, creation of a separate VGMK proved to be a reasonable solution for this purpose. Since the Ministry of Finance inspections have already disclosed the deficiencies and the needlessly complicated points of the regulations--and in all likelihood the changes are not long in coming--I will refrain from dealing with them in more detail.

In my opinion, the regulations' complexity stemmed in large part from the fact that the preliminary conceptions supposed that the VGMK's as undertakings would enter into contact primarily with outside partners. In reality, as we have seen, the situation is different. The majority of them do not directly enter the market; they are associated only with their own enterprise. Under such circumstances it is indeed very doubtful whether a certificate of good conduct for each VGMK member, new registration and authorization for each personnel change, and so forth, are necessary. On other points, better preparation and few enterprise experiments were lacking, which themselves would have led to more sensible solutions.

The enterprises' second task was to incorporate the VGMK into the enterprise work plan and organization. This seems simple, if the VGMK's work is only loosely linked by a few threads to the everyday activity of the enterprise. It is very complicated, however, if the VGMK's operation is in contact at many points with the enterprise's work. If it is interlinked with the internal division of labor and cooperation, with several basic and ancillary processes, the demarcation of primary and supplementary work is not easy and requires the cooperation of workers who are not VGMK members (managers, quality controllers, stockkeepers, administrators, etc.).

The preparatory process did not adequately gauge these problems, which result from the strong intertwining of technological, organizational and human relations that play a decisive role in industrial enterprise production. It is very praiseworthy that in these matters the enterprises were and are able to make decisions without any outside influence, but the publication of some organizational examples, advice, guiding principles and experiences would not have been amiss. What could have thus been avoided is that many enterprises identify what needs to be done only on the basis of their own negative, in-progress experiences and correct the internal regulation of the VGMK's work. This cannot, of course, eliminate every possibility of conflict, but the internal life of enterprises has never been conflict-free--not even without the VGMK's. Up until now there have been negotiations and controversies surrounding the wage system, industrial norms, work distribution, overtime and

special bonuses—the VGMK's add new ones to these. The management, the social agencies and the collectives must make preparations for their treatment and disposal.

This forms a transition to the third task of enterprise leadership: securing the enterprise workers' acceptance of the VGMK system and the powerful income differentiation created with it, on the strength of a demonstration of its usefulness and fairness. Many enterprises have not paid adequate attention to this, and alongside some deeper problems it has been one of the chief sources of antipathies. Where the leadership has not overlooked such things it has been able to make clear to the enterprise community that the VGMK's members receive extra income for extra work, for activity which is also useful to the enterprise community.

Let us not deny, however, that it has been more difficult to give an answer to the enterprise leadership's two questions which touch upon the concept of entire VGMK system. One is: if we call the VGMK the "industrial household farming plot," why does each worker not get the chance to be a participant in it? There is no answer to this question, if only because it is improper to call the VGMK the industrial household farming plot. The household farming plot is a possibility for everyone who acquires and has at his disposition the arable land necessary for it. Joining a VGMK at an industrial enterprise cannot be guaranteed for everyone. Not only because the expansibility of this system is limited in its number and proportion, but above all because it is possible to give the opportunity only to those workers for whom there is a demand for surplus labor. So equal opportunity cannot be guaranteed in this domain.

The second question is: why is not it possible with the same work to earn as much in primary work time as in the VGMK's? The answer to this is simple only if it is true that it is possible to complete the given work only in overtime (on account of which greater pay is always earned), or if there is a well-deserved entrepreneurial fee in the greater income. If one of the conditions does not hold true, only the current system of wage regulation places a restriction on the performance of the task in primary work time; the enterprise's management and even more so the system of our macroeconomic management clash with legal judgment.

If the creation and the setting into operation of VGMK's entail such extra tasks for the enterprise management, what is the motivation for their authorization? Among the reasons, the most important is that it helps the workers to acquire legal surplus income and hereby binds them more tightly to the enterprise. Associated with this is the fact that the VGMK's provide the possibility for solving some enterprise problems (for example, expansion of capacity through overtime work, fulfillment of smaller orders refused up until now, elimination of jobs performed up until now with other enterprises) for which—first and foremost because of a shortable of funds for surplus labor wages—previously there was no possibility. Moreover, a very essential motive is that the payments to the VGMK's do not burden the wage fund; the performance of some tasks, whether routine or special, in this form saves money on

overtime bonuses, premiums and wage fund. This is the permitted way of circumventing wage fund constraints through the game rules at the moment.

So far the number of those enterprises has been relatively slight--and undoubtedly still is slight, owing to the generally low proportion of VGMK's--where strengthening of this organizational form has played a serious part in the attainment of the enterprise's primary goals, in the growth of exports and profitability. We saw examples of this at a few enterprises; an increase in their output through the VGMK's brought surplus production value and surplus profits, and savings in indirect costs. The elimination of expensive outside jobs was brought similar results.

The number of examples where the creation of VGMK's actually furnished a series of new and--from the viewpoint of the national economy--useful ideas is not for the moment great, but is still worthy of attention. According to the report of one enterprise, for instance, the VGMK sets up major imported equipment at one-eighth the cost of an outside contractor. According to another example, instead of a new 360-forint loading surface required in large quantities, the VGMK repairs the old ones piece by piece for 130 forints. There are examples of substitutes for imports, making use of waste. They are mostly of industrial use, but those cases are not to be undervalued where, for example, at one of the enterprises the VGMK installs an air-conditioning system for 2.7 million forints, and this means a saving of more than 1 million forints in comparison with the outside bid. (The example in which an engineer brigade takes over the cleanup job of a department of AFESZ [General Consumer and Marketing Cooperatives] and brings the enterprise a yearly saving of 1.2 million forints undoubtedly evokes further questions in us.)

Of course, we are also familiar with examples which skirt or overstep the boundary of corruption and unjustifiable trickery. For these--due to neglect of supervision--the leadership of the given enterprise is generally responsible. From the viewpoint of the entire VGMK system, such cases are not characteristic. In the greater part of the enterprises examined the formation of new VGMK's is in progress. It is worthwhile, however, to mention two other ideas from the enterprise reports.

One of our major enterprises, which successfully employs the VGMK system on a large scale, concludes its bulletin in this way: "The goal is for us to exploit the enterprise's advantages in primary work time and do away with the tensions between entrepreneurial surplus work time and primary work time." The conclusion of a report prepared by a reviser states; "Insofar as the creation of VGMK's in the long run brings about a radical change in wage regulation and a growth of productivity on the national economic level, it can be deemed an unequivocally positive initiative."

Let us try to sum up what--and at what price--the VGMK's can give individual workers and individual enterprises, and what kind of national economic and social effects they might have.

We divide the workers into two groups: those who participated and participate in VGMK's and those who have remained outside. The VGMK members obtained of

their own free will extra income in proportion of their extra work and were undoubtedly satisfied. Often perhaps the work performed with greater independence afforded them pleasure by itself; maybe at other times they shouldered an excessively large burden. However, they assume responsibility for such a burden repeatedly, in house building, with the household farming plot and with other extra work as well. There were probably few cases in which they were disappointed in their expectations, in which worries about organization or remarks from the surroundings caused much vexation. Perhaps, however, it did occur to them: out of this surplus work and income what could be transferred into primary work time?

Those who remain outside, as the enterprise reports describe, often raise the question: why is there not an opportunity for everyone, and why is it not possible to organize and compensate in the same way work completed in primary work time? I have already spoken about to what degree and with what arguments this restlessness can be dispelled and about the fact that this is not an easy task: only together with the social agencies and by keeping a firm hand on the entire VGMK system is there hope for success.

What does the VGMK system mean to the enterprise leadership? Enrichment of resources, surplus labor and, above all, a challenge. With the help of the VGMK's the enterprise is able to solve or can more easily solve tasks whose performance up until now has run afoul of injunctions and regulations. Maneuverability has hereby increased substantially. The VGMK's are sources of new ideas and serviceable suggestions, and they help to maintain the work force. At the same time, dovetailing their operation into the enterprise's work order and getting them accepted by the community are significant extra tasks.

It cannot always be measured in advance whether, from the viewpoint of the enterprise as a whole, the surplus output (with regard to growth in profits and the other major demands placed on the enterprise, and today above all the contribution to the balance of trade) is proportionate to the surplus labor. Undoubtedly this was and today still is the major reason for the leadership's guardedness at many enterprises. The enterprise leadership can delay a decision in this question, it can progress step by step in the expansion of the VGMK system, but it has to face up to the challenge that this system brings with it (for the management of the enterprise and the economy alike).

We must reflect upon the fact that the majority of workers are capable of much greater output than that shown so far; that it is possible to differentiate incomes; that a work group which teams up voluntarily works with superior organization; that the independence and the interest at the small collectives within the enterprise bring with them ideas, initiative and entrepreneurial gusto. Application of these ideas, which are not exactly new but which are now sharply reemerging, can reform the entire enterprise's work organization and internal direction. This would coincide with the international tendency to increase the role of work groups, small collectives, independent accounting units, the so-called profit centers.

The surplus output furnished by the VGMK's is also important from the national economic viewpoint, although it is not large, measured by such a scale. Other effects call for consideration in broader contexts. For example, the elimination of work performed up until now with other enterprises will be useful if it stimulates the partners to do more efficient work, if it brings with it a drop in prices and more reasonable organizational structure. Higher productivity is a tangible result, but its large-scale benefit will appear when this higher productivity is carried over into primary work time. It is necessary to observe that a large proportion of the VGMK's raises the wage standard!

We know what the most contradictory thing is in the matter of surplus work time: we do not adequately utilize primary work time. This problem, however, extends far beyond the domain of the VGMK's. According to KSH [Central Statistical Office] time studies, mandatory work time decreased between 1963 and 1976-77; on the other hand, time devoted to income-supplementing activity increased. (The significant saving achieved in the time allotted to household work created the possibility for this.) With regard not only to wage earners but the entire population between 18 and 60--the KSH releases information on this--the two largest supplementing activities, the ration of work performed in construction/repair and household farming plots, surpasses 25 percent in relation to the work costs in primary work time.² The KSH puts at 2.7 billion hours the total yearly work input devoted to supplementary household farming.³ This is more than the total legal work time of employees in agriculture.

Growth of the "second economy" is a world phenomenon; it can be traced back to different causes in capitalist and socialist countries but is equally discernible. The legalization and the harmonization of as great a part of the "second economy" as possible with the activity of the first economy are the aspiration throughout the world, and the Hungarian solutions arouse attention and recognition. The total time requirement of the VGMK's is not considerable; the problem itself, however, in its wider social contexts (and from time to time regionally, too) is significant.

It is to be hoped that the most important--indirect--influence of the VGMK's is to stimulate the economic and industrial leadership to take additional new steps in the modernization of wage regulation and the entire macroeconomic management and organizational system. The VGMK's can most effectively help the work of industry if they are organically assimilated into both a more diverse, more flexible enterprise structure and the internal work arrangement of individual enterprises. To this end there is a need for decentralization processes in both directions, and in all likelihood the time will come when some VGMK's are completely independent and other are better integrated into the enterprise's chief activity. Above all, however, the essential thing is

² "Time Ratio. Detailed data 1." SOCIOSTATISTICAL REVIEW, 1982 p 6.

³ "Time Ratio. Detailed data 1." SOCIOSTATISTICAL REVIEW, 1982 p 5.

that we transfer as much as possible from the VGMK's' positive experiences to the organization of activities during primary work time, that the economic leadership creates better conditions for this, and that the enterprise leadership makes the best of these possibilities. This may be the VGMK system's greatest contribution to the solution of the chief tasks of industry, the balance of trade and our other economic problems in connection with them.

12327

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SZOT GIVES POSITION ON ENTERPRISE BUSINESS WORK PARTNERSHIPS

AU110720 Budapest NEPSZAVA in Hungarian 7 Apr 84 pp 1, 5

["D-ts" report: "Experiences of the Operation of Enterprise Business Work Partnerships; the Presidium of the National Trade Union Council Had Held a Meeting"]

[Text] The Presidium of the National Trade Union Council [SZOT] held a meeting on Friday [6 April]. It discussed theoretical and practical aspects of the development of social policy and the elaboration of a long-term demographic policy. It dealt with experiences of the commencement of the 1984 plan for the people's economy and adopted a position concerning tasks.

It accepted a proposal pertaining to the 1984 SZOT awards and a SZOT report on 1983 economic activity. Finally, it confirmed agreements and recommendations endorsed at the latest session of the international labor affairs conference.

Subsequently, the SZOT Presidium discussed experiences of the operation of enterprise business work partnerships, their social and economic impact, and trade union tasks. Taking into consideration the 1982 appraisal and the proposal made at the time, the SZOT Presidium commissioned the leading trade union organs of sectors, industrial branches, and organizations to develop their own tasks and aid and supervise the implementation of resolutions.

In the great majority of cases, enterprise business work partnerships continue the enterprise's basic activity after working hours. Their characteristic feature is the fact that they perform work ordered previously from other enterprises. Economic managers initiate their establishment in order to eliminate capacity bottlenecks, to better exploit production equipment, and to alleviate manpower problems. Enterprise business work partnerships are fulfilling a significant role in improving the difficult managerial-financial position of some enterprises. Enterprises can accomplish their given tasks less expensively, more rapidly, and with a more suitable quality.

At the same time, there are no comprehensive figures available on the impact of enterprise business work partnerships on productivity and profit. It is known already, however, that the work performed in these organizations results in a more vigorous and direct material incentive, above average organization and discipline, and performances that are useful on the whole.

According to experiences, depending on the enterprise, activity, and composition, net individual income per hour for jobs performed in enterprise business work partnerships alternates between 60 and 80 forints. The hourly wage attainable in enterprise business work partnerships is one and one-half to three times the hourly wage earned during the principal line of activity. It is difficult to judge whether such incomes are realistic and just. This is one of the reasons why they constitute a source of tension, particularly with people who are unable to perform additional work of this nature.

At the end of 1983, approximately 2 percent of those employed—almost 100,000 people—worked in enterprise business work partnerships. More than 75 percent of these people work in industry and the building industry and 15 percent in the area of personal and economic services.

Because of a lack of comprehensive figures, it is not yet possible to express in numerical terms the direct impact exerted by the operation of the enterprise business work partnerships on overtime. It can be taken as a fact already, however, that in industry, the number of hours performed in overtime has diminished 14.3 percent, as compared with preceding years. Along with other factors, work performed in the enterprise business work partnerships also obviously played a role in this.

It is also generally known that, from the viewpoint of labor protection, temporary solutions settle the legal regulation of enterprise business work partnerships. Tasks are contained in National Wage Board Guiding Principle No 7,001/1982 (13 July), which, owing to its nature, is not legally binding. Therefore, the issuance of a legal regulation, for a final solution, is a well-founded demand. The situation with regard to labor protection presents a somewhat mixed picture. In the course of jobs performed in the enterprise business work partnerships, the situation concerning accidents is not worse than the overall average. Accident and social insurance care for members of enterprise business work partnerships is legally regulated. However, it contains complicated and unjustified differences from the general regulations. In case of a job site accident, a member of an enterprise business work partnership does not receive an accident sickness benefit of 100 percent, but instead, 70 percent from the employer and, separately, 65 percent of 3,000 forints in social insurance. For this, a member of an enterprise business work partnership must pay a separate monthly contribution in addition to the general social insurance contribution for the latter benefit.

The legal position of enterprise business work partnerships, including that of their members, and the exercise of trade union rights (the representation of interests) are contradictory [ellentmodasos]. On the basis of the presently valid regulation, the operation of enterprise business work partnerships, as ventures, is based on a contract under which their legal position and possible disputes can be settled within the framework of civil law. Enterprises business work partnerships, however, display the characteristics of normal employment conditions. This is borne out by the fact that their operation lacks such fundamental elements of a venture as the assumption of a real economic risk, the use of their own tools and materials, and the freedom of responsibility and decisionmaking. In the last respect, generally speaking, the scope of their freedom of action is limited to agreeing on the material conditions for their assumption of work.

According to the evaluation of the trade unions, the activity of the enterprise work business partnerships as a whole serves those purposes that were formulated in the decisions concerning new forms of enterprise. It proves its economic usefulness in that it tangibly contributes to getting rid of the bottlenecks at the enterprise level, and to the achievement of qualitatively higher output. The trade unions are aware of its social usefulness in that it has proved that the workers are capable of achieving considerable surplus output by ensuring the necessary conditions for work, and creating strong incentives. Their purpose is to get higher income through greater achievement. The enterprise work business partnerships have drawn attention to the weaknesses, laxity, and lack of organization in enterprise work, and strengthened the social demand for the creation of conditions for more efficient activity in the main working time.

Based on the experience of practical operations, the trade unions conclude after all this that the enterprise work business partnerships are not real enterprises but such particular forms of extra work as also contain certain enterprising elements, therefore they cannot be withdrawn from the control of the trade unions.

At the same time, the income generated in the framework of the enterprise work business partnerships can also be favorably evaluated because it means a certain degree of easing of current inflexible cross-regulations.

This income represents extra purchasing power in the dimensions of the people's economy, which in practice the economic management takes back by means of an increase in consumer prices, but not from those places where this income was created. According to the trade unions, although there is surplus achievement behind this surplus income, there is no reason to deal with this in the same way as with surplus purchasing power resulting from the laxity of regulations.

The trade unions must consider the fact that of the 5 million people who live on salaries and wages, today the activity of enterprise work business partnerships gives only for 100,000 people the possibility of earning surplus income. This means, at the same time, that the majority of the workers cannot participate in this work. According to the enterprise experiences, such a limited possibility for participation causes tension in the collectives. This is only partially eased by the fact that a part of the workers have other possibilities of surplus income (secondary jobs, surplus labor, etc.).

Perhaps the most positive aspect of the appearance of enterprise work business partnerships is that they have strengthened the criticism of formal and bureaucratic features of the working class movement and also the critical spirit among the working people resulting from inadequate material incentives. They have sharpened the difference between the achievements of the work-competitions and those of the enterprise work business partnerships, deepening the contradiction between conditions and the reward of achievement. It is therefore necessary to examine the reason that the socialist brigade and the enterprise work business partnership--in spite of the fact that both are work organizations based on the voluntary principle--differ from each other in the sphere of achievements, results, and material recognition.

The trade union encourages all those efforts that contribute to the fulfillment of social requirements by improving work efficiency. Starting from this basic position and taking into consideration the conditions, the trade union movement recognizes the need for enterprise work business partnerships. At the same time, based on the very experiences of the enterprise work business partnerships, the trade unions' opinion is that, by ensuring the uniformity of goals, conditions, and incentives, it would be possible to fulfill also in other forms the workers' justified demand to be able to earn during their main working hours a suitable income level proportional to their achievements.

The trade unions must demand that regulations on work safety and workers health, as well as the achievements serving the improvement of working conditions, are observed during the activity of the enterprise work business partnerships outside working hours.

Steps must be taken to prevent the earning of income that is not commensurate with achievements. The use of the enterprise work business partnership activity to get around overtime regulations must be stopped. After the specification of directives for labor safety their legislation procedure must be concluded as soon as possible.

The trade unions proceed on the premise that the essence of the arrangement in this issue is that the trade unions must find the employee interest that coincides with the trade unions' efforts. To achieve this, there is a need to improve cooperation between the trade unions and the economic leadership, and the mutual exchange of experiences. The enterprise trade union organs keep the economic leadership constantly informed, and the branch trade unions inform them periodically about the operation of the enterprise work business partnerships.

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NEW ECONOMIC COLLECTIVES BOOST ECONOMY, INCREASE INCOME

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[From the program "That's What They Say About Us"]

[Excerpts] Gyula Bereczky and Jozsef Szabo are at the microphone.

[Szabo] FRANKFURTER RUNDSCHAU carries an article about conditions in Hungary. It is almost natural that its author should have placed the enterprise economic work collectives at the forefront of what he has to say.

[Bereczky] Naturally, the author also notes in his article that differentiation is increasingly being asserted in Hungary. This is, in other words, the principle that he who works better should earn more, that is to say, that good work should be differentiated from poor performance and the diligent man from the lazy one.

[Szabo] The article, which we are now summarizing, is headlined, "Hungary: To Each According to his Private Work."

[Unidentified announcer] How can one get more money and thereby achieve a higher standard of living in a communist society? The range of goods in the shops in Hungary has been becoming more and more attractive and neighbors from the "Golden West" have been coming to this socialist country with its low prices, even though prices have been rising irresistibly due to the inexorable laws of the market economy. For this reason, earning a supplementary income has become a necessity—whether chosen by or forced on the individual—for all Hungarians. The slogan "to each according to his work," which in the past was used, at the most, to oppose the harmful egalitarian principles at plants, has acquired a completely new meaning in today's Hungary. More and more people are coming to realize that they must work harder and better to ensure a better standard of living and a higher income.

Since the launch of the Hungarian economic reform in 1968, newer and newer forms of entrepreneurial initiative, allowed and even supported by the state, have come into being. In this connection, the mistaken assumption can arise in the West that Hungary may lose the socialist nature of its state and society through the diversionary path of reprivatization. There is no question of this, and I would warn everybody against making hasty judgments. The new forms of enterprise are socialist in nature and people are not becoming capitalists.

So far some 7,500 economic work collectives have been established in Hungary since 1 January 1982, when it became possible to set up these units. One-third of these function within state industry and the rest within the framework of the cooperatives. Although officials at the relevant ministry in Budapest could not give us the exact figure of those working in the economic work collectives, their estimate is 53,000 people. In other words, 4 percent of those employed in industry.

These are the people who have taken on additional work to supplement their monthly incomes. The production value of their output is 0.5 percent of the country's industrial production.

[Bereczky] I am very pleased that the journalist on FRANKFURTER RUNDSCHAU has given these figures in his article. These statistics prove that the new economic work collectives are given greater importance, both at home and abroad, than their true value justifies. Let there be no misunderstanding. Far be it from me to underestimate this new and marvelous initiative. However, we are only at the beginning of the beginning. True, enterprise economic work collectives are being established one after another. Yet, they have not become generally widespread. There is much hesitation, and there are a great many local factors working against them.

[Szabo] Quite so and let's talk about what really matters right away. While the political leadership has given firm and clear support to this initiative, in many places, though nothing was actually done against it, the required support was not provided. If there have been delays, they can be explained by uncertainty. But a good example can really stick and can spread like wildfire. Progress has been speedy since the second half of last year. Economic work collectives are being formed one after another at the large enterprises in Budapest and the provinces, wherever there is an opportunity for them.

[Bereczky] What are these collectives really like in practice and how do they operate? In the legal sense, these working groups are completely independent, working for themselves. They conclude contracts with the enterprise management for the use facilities and for this they agree on the payment of fixed rentals. In other words, they can use the means of production, all the equipment and machinery, of the enterprise or cooperative where they work. After deductions for costs and taxes, the workers divide up the profit among themselves. The members of these enterprise economic work collectives pay separate social insurance contributions which also include provisions for accident insurance.

And how much can be earned in this way? The average supplementary income is 3,000 forints a month. And how much is that? Quite a lot. We comprehend that even better if we realize that the average income in Hungarian industry, earned after much longer hours of work, is 4,600 forints a month.

[Szabo] An enterprise economic work collective may have up to 30 members. It is not easy to join one because only the very best workers are admitted by those workers involved in the organization. By "the very best" I understand the brightest, the most diligent and the most talented. They must do, and they are carrying out, work of high quality. The income is distributed in a differentiated way so that there are cases in which one worker gets 1,000 forints while another one 10,000.

[Bereczky] I must say something about another very interesting phenomenon. If we analyze the successes of enterprise economic work collectives which are working well, we discover that the secret of success is the good organization of labor, the smooth supply of materials, etc. The fact that administrative work has been reduced to a minimum has had a decisive effect on keeping costs low.

According to experience, these methods are also having a favorable effect on the work of the large enterprises. This has contributed, among many other things, to the fact that the output of state industry has increased this year by 5.4 percent compared to the corresponding period of last year. Perhaps we may assess this as one of the first signs of an economic upturn. After all, the engineering industry increased its production by 8.4 percent and the food industry by 10.5 percent in the first 4 months of 1984. It is also by no means insignificant that 4.6 percent more has been paid out in wages than in the same period of last year.

[Szabo] Differentiation has been asserted more than ever before in wages, too. This is how the FRANKFURTER RUNDSCHAU journalist writes in his article: The slogan is "to each according to his work." I believe that this is more than just a slogan. I believe it is finally becoming the practice of the day.

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INCREASE IN BUSINESS WORK PARTNERSHIPS DEEMED BENEFICIAL

AU161511 Budapest NEPSZAVA in Hungarian 15 Mar 84 p 3

[Article by Janos Vajda: "Small Business Ventures With Big Question Marks"]

[Excerpt] I remember that the metal processing enterprise was one of the first large enterprises at which, at the beginning, enterprise business work partnerships were formed for less profitable service jobs. The acronym VGMK [Vallalati Gazdasagi Mumkakozosseg—enterprise business work partnership] has become a specific household term in the meantime. According to statistics, the VGMKs constitute the most common form of small ventures. Nationally more than 9,000 of them were in operation last year. (Every second one is in industry, but there is a fairly large number of them also in the sphere of the building industry, research and planning institutes, services, and even agriculture.)

Almost 100,000 people are working in such small business ventures, a number that accounts for only 2 percent of active earners. Nevertheless, this initiative has raised quite a cloud of dust. There are arguments for and against it. Laudatory remarks and condemnations, eager hopes and crushing concerns, have accompanied its course to date, while without heed to the disparate views, the number of enterprise business work partnerships is constantly increasing. What is the explanation for all this?

Let us begin by noting that the VGMKs activity has increasingly deviated from the initial ideas. They do not augment services for the population and are not occupied with maintenance, house cleaning, or other ancillary jobs, but—compensating for the deficiencies in cooperation and in the background industry—rather help create direct prerequisites for production (manufacturing tools and intermediate units). There are other business work partnerships that expand narrow production capacities, or simply extend working hours and make them more intensive.

It does not do any harm to clarify a misunderstanding: In a conventional sense, the VGMK is a venture only in name. The people working in this small organization do not risk their own money, because the enterprise provides virtually every prerequisite necessary—tools, materials, and orders—for their activity. Thus, they cannot—and do not want to—invest their income in any further venture. What they invest, at the most, is the loss of more than a small portion of their leisure time, by which they risk their health. In theory—because of their weekend occupations—they risk also the harmony of their family lives, but this is (presumably) restored by thick pay envelopes they take home.

Briefly, what is involved is more of a work contract between the enterprise management and a voluntary group of the working people, a deal through which both sides profit. The worker profits, because he can increase his earnings on the spot and without a material investment and entrepreneurial risk, increase them with additional work, the conditions for which (when exactly to perform it, in what doses, under what division of work, with which fellow workers, and under whose leadership) he has chosen himself, work by which he earns relatively more than during the conventional working hours. The question is: How much more?

Views are fairly divergent in this respect. There are rumors of fabulous sums at times. According to my personal experiences, however, based on the views of workers of several large enterprises working in VGMMs—they do not substantially exceed the extent of wages due for intensive work, augmented with the 100-percent overtime supplement paid on days of rest. There are instances in which the monthly earnings of an outstanding, well-working VGMM member ran as high as 10,000 forints. The average hourly wages of business work partnership members amount to approximately 100 forints at the Koanya Pharmaceutical Factory, while statistics (in the chemical industry) show an additional income of 2,000 forints.

How does the enterprise benefit? It can flexibly expand its capacities wherever it is needed. It has direct control over the quality of the work performed, and can assign jobs to people it knows and whose work it trusts. It obtains this cheaper than it would if it assigned the job to a fellow company or to a small organization outside the enterprise. If the work runs out, or the order changes, or the pressure piles up in some other respect, it can easily regroup the working people, or stop the job without any statutory and social consequences.

It is part of the full truth that everything that glitters is not gold. There are people who use the VGMM as a rear entrance for various shrewd feats, for obtaining an income not earned by work. Everything that is new and less definitive than the previous system, everything regarding which methods for accountability and control have not yet developed, carries with it the lure of abuse. Everyone knows the VGMM enables enterprises to outflank strict wage level restrictions and to pay for additional work of their working people by charging it to costs.

The following danger is not a paper tiger: If the number and significance of the business work partnerships continue to increase and if the incomes paid out within their framework are not shored up by a suitable product, this would detrimentally effect purchasing power sooner or later. However, similar problems exist in the conventional working system as well. Thus, this is not characteristic of most business work partnerships.

CSO: 8125/1466

VGMK PROBLEMS, FACTS, CONTROVERSIES, ACCOMPLISHMENTS

Editorial to Reader

Budapest OTLET in Hungarian 10 May 84 pp 3, 8-13

[Editorial: "Our Dear Reader!"]

[Text] Now that my son has turned 6 and reached school age, fear has taken possession of me. My son is delighted--I am afraid. Peculiar division of labor. The child, namely, is continually taking his environment by surprise with hair-raising notions. And what is more, with his curious questions, he does not spare the fundamental truths to which I have not given careful consideration for decades. It makes matters worse that my son is still flexible about all this. In the course of our wonder-filled walks he keeps on running races. It is in vain I say to him that the place, the time and the circumstances are not suitable for a race; that I for one support all kinds of measurements, only leave me alone now, because a person in his mature (?) years has difficulty keeping up with this ceaseless rushing.... That is to say, I am frightened about my son's going to school, because before my eyes lingers the example of that "hunchbacked" child who straightened his back in the pressing machine only to have his backbone break in two.

Seeing the operation of the VGMKs [enterprise work associations], I perceive a somewhat similar danger. As if the enterprises would begin to mold these "industrial households" in their own image. It is not so hard; after all, this is the form of small-scale undertaking which is entirely under the control of the business firms.

The VGMK became the bearer of a peculiar dichotomy. Just a few examples: it is exempt from the restrictions of wage regulation, and for this reason when the clock ticks in the VGMK, the danger of holding back on output does not threaten. At the same time, even today the economic units only keep one eye on expenses. Therefore, an enterprise is not concerned with how much their own business work partnerships are costing them. (It is characteristic that we did not find data relating to this at a single one of the enterprises consulted.) The VGMK allows room for independent initiatives and a reasonable assumption of risk. Yet the work groups work mostly under orders from their own employer, and moreover with his material and his machines. It is, therefore, no wonder then that in many places the entrepreneurial spirit slumbers in a flask. In exchange for soporific security, the employers expect the VGMKs to ease their tensive worries about capacity. To take chances, to undertake something, to produce something new along the familiar, beaten paths--this is no longer absolutely necessary.

Do not think, dear Reader, that we are ranting against the new, flexible economic forms. We would simply like to call attention to the fact that 2 years have elapsed, and that the time is ripe for assessment, and that we are running a knife through those teachings which are of no minor interest to "large-scale enterprise."

The VGMKs are, for the most part, before our eyes. It is no accident that the wage dispute flared up in those enterprises where the activity of the VGMK and that of the enterprise were separated only in time. Those who were stuck outside the circle had a grievance--and not without reason--about the quantity of their coworkers' extra income. Since the VGMK bears heavily on the expenses, and not the wages, the members earn one and a half to three times their primary worktime wages, which is not justified in every case. This additional income, however, is not earned behind closed doors; the VGMKs work in the center of the marked attention of the entire community.

Let us draw up a balance sheet. In the long run, who benefits from the VGMK? The worker, certainly, because according to calculations he supplements his monthly income by 1,200-5,000 forints. (The fact that this possibility is not given to everyone is another question. There are large numbers which, because of their line of work, their education or--to use a geographical analogy--their "location," cannot get into the ranks of the select few.) The enterprise gains, too, because it provides its own people with work instead of to subcontractors. And last but not least are the assets which the VGMKs produce; they also increase our national wealth. (Although it does not hurt to know that they do not contribute even 0.1 percent to the net sales revenue of the national income. It would thus be a mistake to overvalue their role.)

And who comes off badly? The person who time and again pursues wasteful exploitation in a self-denying way with his working ability in the hope of greater income. The work association which has to struggle not only with ambiguous public opinion but also with unjust, unequal conditions. All this, of course, leaves its mark on the enterprise's outcome, too. Profits do not decrease, on the contrary.... Only who knows, or is inquisitive about, how great the possibilities are which we walk (rush?) past.

There are no truths of eternal validity. The VGMK is the transitional economic form of a transitional period. Quite a few wildings and ever so many wild offshoots are characteristic which, however, we cannot look at passively.

VGMK's Facts, Figures

Budapest OTLET in Hungarian 10 May 84 p 8

[Article by Gyorgy Foris: "More Smoke Than Fire"]

[Text] At the time when the VGMKs were called into being, many people expected from them the dynamism of flexibility and entrepreneurial skill which might have a stimulating effect on the whole of industry, the construction industry. Others cursed the new form, fearing, from the distortions, for our vulnerable economic mechanism. There were also those who talked about the disintegration of socialism's material foundations. In the meantime, the enterprise work associations and the various specialized groups began their independent life. Last year more than 11,000 such establishments were in existence; approximately

120,000 persons performed their work after hours. The fascination (and the hope) of the novelty is subsiding. A thorough analysis of the operation followed. We talked about it with Terez Laky, scientific group leader of the Institute of Labor Affairs.

[Question] The overwhelming majority of the small-scale entrepreneurial establishments (about 70 percent) are VGMKs. Since it is a matter of spontaneous organization, this indicates that primarily this entrepreneurial form suits the market demands. I wonder why?

[Answer] This is the form which corresponds best to the interests of the enterprises. So much so that in the majority of cases the enterprise directors themselves initiate or at least support their formation.

The decree does not deal separately with the creation of the VGMKs; it merely—at the time of the discussion of the work associations—mentions them as a possibility. Originally, here, too, the small-scale entrepreneurial character of the establishments seemed important, i.e., that the VGMK—through its mobility and market sensitivity—can discover the enterprise's unutilized resources and can employ them to manufacture articles in short supply. The advantages seemed obvious: the VGMK—by better use of the enterprise's available tools—can obtain additional work, and the enterprise shares in the newly produced assets; the enterprise's presence in the undertaking meant a guarantee for the customer; the economy, however, is freed from oppressive worry about some shortage articles.

In practice, however, things worked out differently. It turned out that the economy invariably operated in an overheated state and the enterprises were unable, or just barely able, to fulfill their orders. For example, metallurgy, which is considered a "crisis branch," has invariably not satisfied the domestic demands for years. If we add to this that in 1983 the active number of wage earners in the national economy decreased by 35,000 and that the joint workforce losses in industry and the construction trades—likewise in 1983—surpassed 44,000 persons, then it may be surmised that in point of fact the VGMK was left with a role which diverged from the ideas: it became the enterprises' supplementary source of labor. Nowadays, if a task exceeds the enterprise's primary worktime capacity, it is given to the VGMK. Thus in the majority of cases the "undertaking," the "discovery of unutilized capacities" did not come into question; the enterprise's own order excluded everything.

[Question] The changed sphere of action may be useful to the national economy. Yet the charges against the VGMKs indicate that these establishments often take advantage of the excessive demand. They work at an unjustified profit rate—which creates a considerable tightening of the wage scale between VGMK members and those squeezed outside the association. And what is more, their work is frequently done at the expense of primary worktime activity....

[Answer] These charges are time and again true. The fundamental complaint is that under current operating conditions the enterprises are fairly insensitive to expenses. This promotes the VGMKs' business to the extent that there is something from which to cover the costs—namely, to the debit of the enterprisal

expenditures--of "their sustenance." The basic reason for the mentioned distortions is that from time to time the enterprises today create a fictitious demand, i.e., they "transfer" a portion of primary worktime activity to the work association. The reason for this may be organizational interest--they want to keep the better income possibilities for their people--and there may be personal, managerial interests. Moreover, there is general corruption. It also happens that--because of the strictness of wage regulation--the director wants to economize with the sliding wages and therefore prefers to have the basic work done by the VGMK, however, he changes the released overtime money into a special bonus.

[Question] How can we do away with these incidents?

[Answer] From the outside, from above, with difficulty. Only if the directors are given incentives to reduce fictitious demand and to bring down the "free market" wages--by increasing enterprise sensitivity to expenditures. As long as expenditures are cheaper than wages from the directors' viewpoint, it may only be possible at best to punish the flagrant cases.

[Question] Wouldn't the increase in expenditure sensitivity endanger the financing of the VGMKs and thus their existence?

[Answer] No, it would merely restrict their activity to the limits of demand. The enterprise would only give an order which in no way could be completed in primary worktime. In the just mentioned condition of the economy such a thing would still occur in abundance.

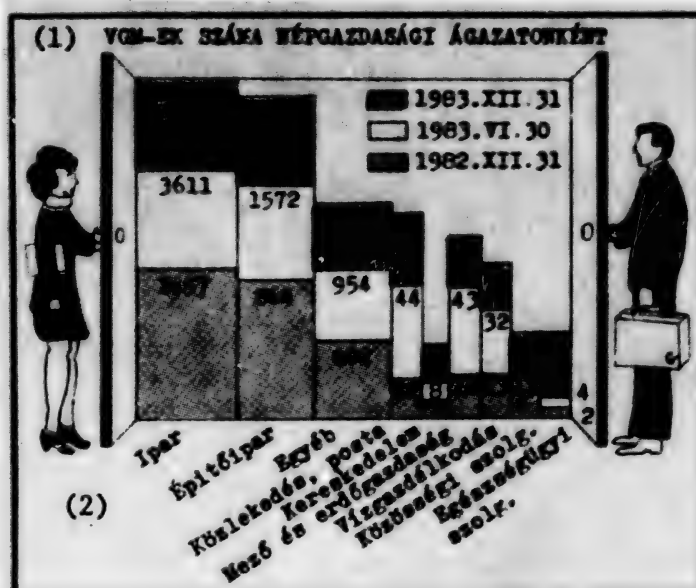
[Question] What kind of future do you predict for the VGMKs in the long run?

[Answer] We have to consider that today hardly 2 percent of those employed are VGMK members. Four percent of the workers in socialist industry are taking part in such work associations. This figure is 8 percent in the construction industry and 2 percent in private services sector. Their proportion and their actual role are thus small; at best only their reputation is great. As far as their future is concerned, I would consider it most useful if we would look the facts straight in the eye. It is true that we intended the VGMK to be a small-scale entrepreneurial establishment, but we must note that in the present economic circumstances its function is first and foremost to supplement the labor force, and this role will not change within the foreseeable future. We already mentioned what kind of workforce losses the national economy had just last year. In comparison with this--according to estimates--the work done in the VGMKs (reckoned from a monthly worktime of 60 hours) corresponds to a "new" workforce of 36,750 persons (activity of the specialized groups meant an additional 8,250 workers), which helps significantly but still does not cover the losses. (It is another matter whether sensible economy in point of fact wants as large a workforce as the enterprises are today demanding!) In any event, abolishment of the VGMKs would be just as much an error as thinking that in a short time they can leave their current sphere of activity. If, on the other hand, this is the case, then let us handle them according to their actual situation. At those VGMKs, for example, which work only under the orders of their own enterprise, I find superfluous the time-wasting, ritual forms of creating and installing work associations. Conversely, I would make participation available

for a wider sector of the population. Moreover, I consider absolutely essential compliance with the regulations connected with the incompatibility of management and VGMK membership.

[Question] What is your opinion of the concern, still perceptible today, that propagation of the VGMKs can prejudicially affect the socialist character of our social system?

[Answer] I see no such danger. What it all comes down to is that workers of socialist enterprises work a little more in their spare time...That's all. Work done in free time is legal, as is household farming in agriculture. It would still be this way if it were a matter of completely independent enterprises. Even if they pursue this sort of activity at their own enterprise (and it is beneficial to the latter in no small degree)!



Key:

1. Number of VGMs per Branch of the National Economy
2. Industry
 - Construction Industry
 - Other
 - Transportation, Post Office
 - Commerce
 - Agriculture and Forestry
 - Water-Supply Management
 - Public Services
 - Health Services

Bailing Out Housing, Construction

Budapest OTLET in Hungarian 10 May 84 p 9

[Article by Laszlo Gergely: "Has the Mayfly Faded Away?"]

[Text] The directors of the Capital City Number 2 Construction Enterprise were among the first to set about organizing enterprise work associations. At the start of 1982 more than 70 VGMKs came into being.

It is evident from the data of Laszlo Komaromi, enterprise director and at the same time head of a VGMK office, that the enterprise could reckon with a production surplus of 40 million forints in 1982 and 45 million forints in the following year. That is to say, the value of the work performed by outside subcontractors was less by at least that much. The commission of outside firms, moreover, would have meant additional expenses, because the enterprises and the cooperatives for the most part do not invoice on the basis of the price lists of private artisans.

The overtime figures have also decreased significantly. In 1981 50,000 hours of overtime were paid out, in the first year "only" 20,000. That is to say, wage expenses were less by a countervalue of 30,000 workhours. At the same time, these 45 million forints meant a surplus in production value. Still, that amount would not have been produced with traditional overtime work...It must be said, however, that the countervalue of the work of the associations "of the same establishment" have greatly increased the enterprise's expenses. They cost more than what the production surplus brought into the kitchen!

Since 1982 the out-migration of the workforce has declined at the Capital City Construction Enterprise. The good skilled workers with the extra earnings offered by the VGMK are more and more rarely accepting the enticement of other enterprises, especially the ancillary production branches of the producer cooperatives. For several months they have even been able to "bring in" work to the enterprise. To be more precise: they, too, seek out the customer and they are able to conclude an agreement with it through their employer.

The largest local construction enterprise of Budapest is primarily concerned with residential housing renovation. It cannot mechanize its work—due to the latter's nature—the way firms can which build new establishments. Therefore, organization of the VGMK in 1982 also meant the "purchase" of "new" workers. The original impetus resulted distinctly in wild offshoots. For this very reason the independent enterprise office established an office which is the guardian of local legality; from there the work partnerships receive the subcontractor commission.

The activity of the VGMK has an established system of work at the firm. We know from Bela Balogh, a construction carpenter and leader of the association named Gyalu, that their employer designates for them the building where they work in the VGMK, and elsewhere to work on a house during their primary worktime.

Currently they are working afternoons and weekends at 26 Lenin Boulevard; at 38 Damjanich Street, however, during regular hours. Bela Balogh is also foreman of the builder's carpenters' brigade. In the afternoon, however--in another corner of the city--he is also repairing the doors and windows of a house that is being remodeled.

Distribution of income is the internal affair of the VGMKs. There are those where income is distributed evenly and those where a differential hourly wage is paid. Yet they are uniform in the sense that they wish to acquire a respectable income. The members of the Gyalu VGMK receive an hourly wage of 30-32 forints during their primary worktime. When they worked overtime, they then received 40-45 forints. Now in the VGMK everyone clears 80 forints an hour. They would earn roughly that much if they moonlighted out of their homes.

The Capital City Number 2 Construction Enterprise has gotten into a difficult situation in the last 10 months. They have much less work than previously. Today a large part of the tasks can be done in primary worktime.

When the firm was able to choose from among the tasks, a certain kind of selection in the work associations prevailed even then. In the first place, agitation began within the VGMKs: the groups expelled from among themselves the members who did not satisfy the conditions. Then the enterprise annulled the contract with this and that VGMK, because the subcontractor work was completed during regular working hours. Because of the change in market conditions, however, the associations are ceasing to exist. Many of them are discontinuing their operations, and they are acquiring additional income only during the construction season, in the spring and summer--provided they can find work. Among the enterprise's 1,500 manual laborers, altogether 380 are active VGMK-members today.

This is a task which hits hard on the builders. The majority of them are turning into unemployed subcontractors of their own enterprises. According to many of them the VGMK was like the life of a mayfly. For the time being they are waiting and hoping. What can follow after this? Perhaps once more the "black market," amateur work, moonlighting on weekends...?

Bidding for Jobs

Budapest OTLET in Hungarian 10 May 84 p 10

[Unsigned article: "Internal Competition"]

[Text] A serious foot race--with a small defect. Namely, those lined up at the start distribute the placings beforehand. Who will cross the finish line first, and who gets the consolation prize? We followed this "hot clue" to Ikarus. It turned out that the long-desired race, i.e., the VGMKs entrepreneurial will and ability to fight, is more important than the imperfect, though correctable, declaration.

Something new comparable to the practice of the Danubian Iron Works: since February at Ikarus the small-scale enterprises have been invited to an internal competition. If it would be far too expensive to have an outside firm perform some job or other--and at the same time the manpower is lacking within the

company—then competitive bidding is announced among the work associations of the same sphere of activity. Closed envelopes containing the bids are opened in the presence of the interested parties, and of course the associations indicating the lowest amount gets the job. In case of identical bids the department advertising the work is free to decide which to choose among the otherwise well-known groups. This is the way the competition goes in a simple case. But not every case is like this.

The method provides an opportunity for some maneuvering, to which a certain advantage is attributed in Ikarus. The bidders are able to modify their original ideas on the spot, and this really serves the purposes of the competition. Nor are other kinds of maneuvering excluded. Accordingly, some VGMKs agree on the acceptable and the—to put it tactfully—maximum price beforehand; then the "winner" hands over half the difference to the "loser."


We sought in vain, of course, for proof, but the competition regulations worked out at Ikarus did not dispel the suspicion. At the company, namely, prior to the declaration the acceptable guiding price is calculated, but the importance of this is less than necessary, because this sum is only announced at the conference. When the VGMKs have already formed their ideas. Mihaly Bodor, director of the time-outputs department, justified this solution in this way: according to him it is not good if the competitors concentrate on the published price from the very beginning.

It is possible to dispute this idea. It is also worthwhile, since this new method has not been engraved in stone. According to the well-known course of bidding, it can be presumed that if the company announces beforehand the sum it is willing to pay for completion of the job, then the VGMKs would have no way for bargaining. A single thing would remain for them: calculate the price which would be worthwhile for them. At the 30-40 negotiations which have taken place since February—characteristic for the situation—the bids have developed around the prices calculated by the declarers. Although it might be possible to force down a good part of them.

Beyond these questions there are also substantial advantages to the competition. Such as, for example, the fact that while last year—with or without reason—some found the work allotted them insufficient, now it is up to them what kind of assignments they are able to obtain for themselves. In the case of identical bids, however, the company grants a kind of recognition to the work association which is finally given the job.

Every tenth Ikarus worker is a member of one of the 65 enterprise work associations. Unfortunately, the goods produced and the pay taken home by them were not separated from the financial statement of the large enterprise. For this reason it is all but impossible to compare the performance of the internal small enterprises "with that of the large enterprise." The opinion of the company's directors is, however, uniform: without the work associations Ikarus would scarcely have been able to fulfill the obligations for 1983.

(1) VGM-EK ÁRBEVÉTELE NÉPGAZDASÁGI ÁGAZATONKÉNT
1983. I. FÉLÉV

- 
- (2) Ipar
 - (3) Építőipar
 - (4) Mező és erdőgazdaság
 - (5) Közlekedés, posta
 - (6) Kereskedelem
 - (7) Vízgazdálkodás
 - (8) Egyéb
 - (9) Egészségügyi szolg.
 - (10) Közöségi szolg.
 - (12) Összesen 1531 millió Ft

VGM-ek összes árbevétele 1982-ben: 1235 millió Ft⁽¹¹⁾

Key:

1. Sales Revenue of the VGMKs Per Branch of the National Economy;
First Half of 1983
2. Industry--911,000
3. Construction Industry--411,000
4. Agriculture and Forestry--6,000
5. Transportation, Post Office--10,000
6. Commerce--3,000
7. Water-Supply Management--10,000
8. Other--173,000
9. Health Services--4,000
10. Public Services--3,000
11. Entire Sales Revenue of VGMKs in 1982: 1,235 Million Forints
12. Altogether 1,531 Million Forints

Irregularities, Tensions Within VGMK

Budapest OTLET in Hungarian 10 May 84 p 11

[Article by L.H.: "Wild Offshoots"]

[Text] The managing director of one of our large printing houses places before me a paper with a business firm logo. An enterprise work association (VGMK) offers to reorganize quickly inexpensively and with up-to-date methods the complete administration of a recently established large enterprise. What is more, the VGMK also guarantees it.

So far the letter is completely honest. One suspects the criminal's trickery upon reading the signature. The VGMK's leader is none other than the economic director of one of the large competing enterprises. This business firm spent a small fortune to have its administration reorganized with the best experts. The results were excellent. The experiences and procedures were summarized in a separate study.

The enthusiastic director recognized the great potentials. With a few colleagues he set up a work association, and now he is offering it for his own gain to the competition, for which--as director--he paid hundreds of thousands from the enterprise's money. It is difficult to call this an innocent wild offshoot.

VGMK, Enterprise Infighting

Budapest OTLET in Hungarian 10 May 84 p 11

[Article by Bela Vanyi: "Backdoor Contests"]

[Text] The first VGMK's had not even been formed, and already a controversy flared up around "incompatibility." Who could and who could not become a member? For whom was the assignment, sphere of activity, relationship, sponsorship of VGMK membership reconcilable--or exactly the opposite? The ethical "captiousness" at the beginning turned out to be legitimate. The joint worker-management undertakings authorized by a collusive flicker of the eyelids led to innumerable abuses or even the birth of extensive bills of indictment.

A few cases from the collection of examples of the Chief Supervisory Administration of the Ministry of Finance:

At the first hearing, there is nothing strange about the fact that a 22-member production VGMK of a large Budapest factory selects as its common representative a triumvirate made up of the managing director, the factory unit leader and the major department head. After all, they can create the mutually advantageous contacts between top management and the workshop's collective. The first, barely audible curses ensued at the time the accounts were settled when it turned out that while the fruit of the VGMK members' labor was worth 3,500-4,000 forints, in the same month the three leaders together represented more than 10,000 forints apiece. In spite of this--or because of it--the VGMKs flourished. To such an extent that by the end of the year they were able to distribute an award of 48,000 forints. And since the basis of distribution was income, the three leaders received 30 percent of the sum, 4,100 forints apiece, the 22 members, however, a carefully differentiated sum between 500 and 3,000 forints.

The entrepreneurial rural collective took 11 specialized groups under its protective wings, carefully seeing to it that a suspicion of incompatibility did not arise because of the directorial spheres of influence of the specialized group and the collective. What did cast a shadow on the serene relationships was the "great idea" of the two-person small-scale undertaking that was established at the collective. The management VGMK took charge of keeping in order the general ledgers and the statements of accounts of the specialized groups. The members of the VGMK were the president of the collective and the internal supervisor.

Likewise in the rural servicing collective they tried to ward off the accusation of incompatibility by a simple "interchanging positions in attack." The chairman of the locksmiths' specialized group became the leader of a metal factory; the chairman of the locksmith factory, however, contented himself with the modest office of deputy chairman. What played a role in the description of the sphere of activity of both of them: "the supervision of work, the preparation of decisions in connection with industrial metalworking jobs."

With wise foresight the leaders of a gigantic construction industry enterprise in an agricultural town formed an independent--independent from the enterprise--VGMK. Of course, the independence in this case covered the closest possible collaboration. The undertaking obtained exclusive right to the subcontractor work of the enterprise, which had a monopoly. Its competitiveness was simply increased by the fact that, through the enterprise, even during the times of deplorably scanty building materials, it did not have to refuse the same enterprise's orders because of material shortages. The "patron firm" bore witness to the nearly gentrified "largeness" when it modestly disregarded control of the VGMK's cost estimates proliferating from the enterprise's leadership; in fact with used materials it settled the company's accounts only on the basis of word of honor ("a gentleman is not a scoundrel").

It is probable that in a few days we will recall these greater and lesser abuses like the giddiness caused by an unexpected opportunity. The laws are becoming more refined, and the concept and potential incompatibility are being defined more precisely. There will be fewer and fewer VGMK workshop leaders and VGMKs operating on a contracted basis with the coworker of an enterprise which gives work orders. The new method is simple as pie. "At the time of stock-taking, everyone will throw in a few hundred forints, which the appropriate person will then discreetly deliver in an envelope to the appropriate place. It is not necessary to hide among rules of law, there is no contract, administration, extra paperwork.... Thus, afterwards it will seemingly be impossible to expose this type of incompatibility--we can call it what it is: corruption. Seemingly, because while the artisan, who toils "like a lonely wolf" for the material, for the work, for the order--even if by chance he strikes through--shies away from washing his dirty linen in front of the public and the authorities, the VGMK member is not that way. In the 20-40 member groups there is always someone in whom, chiefly, under the influence of some kind of material disadvantage is aroused with civic pride and concern about public property, and in righteous indignation takes it upon himself to write a letter. The composition somehow or other begins thus: "Notice concerning the public interest..."



Sisyphean

**MILYEN TEVÉKENYSÉGBŐL SZÁRMAZIK
A VGM-EK ÁRBEVÉTELE (1)**

259	millió Ft	(2)
Ipari termékek gyártása		
692		
Ipari szolgáltatás (3)		
395		
Építőipari tevékenység (4)		
4		
Mezőgazdasági tevékenység (5)		
47		
Adatfeldolgozás (6)		
22		
Személyi szolgáltatás (7)		
47		
Üzleti szolgáltatás (8)		
8		
Lakás-városgazd. szolgáltatás (9)		
4		
Egyéb (10)		

Key:

1. From what kinds of activities generate the sales revenues of VGMKs
2. Million forints/manufacture of industrial products
3. Industrial servicing
4. Construction industry activity
5. Agricultural activity
6. Data processing
7. Personal service
8. Business service
9. Housing and town management service
10. Other

Trade Unions Oppose VGMK's

Budapest OTLET in Hungarian 10 May 84 p 15

[Article by Eva Szenes: "From Daybreak Till Nightfall?"]

[Text] Peculiar situation: the same worker, who in the course of a daily 8-hour job benefits from trade-union protection, as a member of a work association—even if he does not budge from the machine—automatically comes under the "jurisdiction" of other paragraphs.

What is the trade-union's opinion about this?—we asked Dr Peter Fahn, senior member of the economic and standard of living policy main department of SZOT [National Council of Trade Unions].

[Question] Why does the general public consider the trade union to be against the VGMKs?

[Answer] SZOT is not against the VGMK. From the outset we have supported the development of various forms of small-scale enterprises. Nevertheless, it is a fact that neither previously nor at present do we consider the VGMK an authentic enterprise but much rather a peculiar form of surplus labor which contains certain entrepreneurial elements.

[Question] On the other hand, they definitely protect the workers from excessive overtime work.

[Answer] The trade-union standpoint on overtime—although production occasionally makes it necessary—is that it is a distorted form of income distribution. Thus the essential thing is not that we "protect" the workers at any price from supplementary income obtained by additional work, but rather that the enterprises better organize production during legal worktime, i.e., that their workers obtain higher earnings with regular work.

As far as the VGMKs are concerned, there really are differences. Perhaps the most important is that while the one is prescribed by law, anyone who wants to voluntarily takes over the second. The overtime expenses weigh heavily on the wage funds, those of the VGMK on other "beribboned" money. The Labor Code applies to overtime work, the paragraphs of civil law to the VGMK...and I could enumerate more differences.

[Question] This means in effect that the worker, whose interests the trade union protects during the daily eight hours, no longer comes under your jurisdiction as a VGMK member?

[Answer] You oversimplify the situation, but essentially it is that way. Today neither the opinion nor the agreement of the trade union is necessary for the formation of VGMKs. This, of course, does not mean that in those places where the trade union otherwise has voice and status, they do not listen to the association's opinion. Legally it is quite an ambiguous situation; today the trade unions can intervene in matters directly involving the working and living conditions of workers. It is at least strange that the VGMK today does not fall into this category.

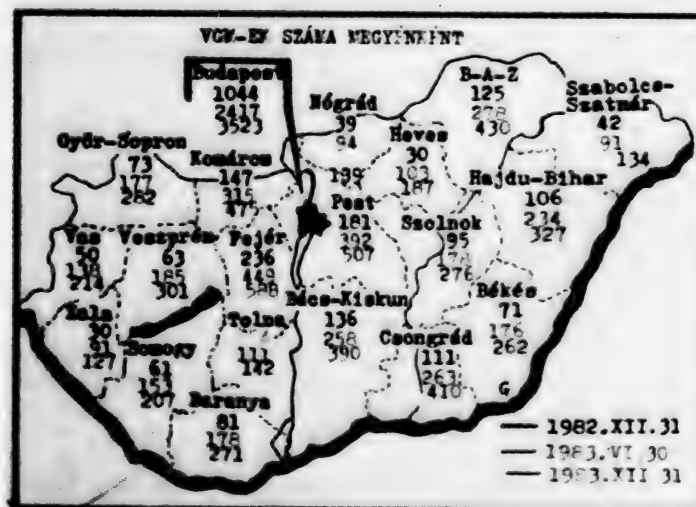
[Question] According to these, each enterprise can organize a VGMK in a workplace where the trade union "wangled" a reduction in worktime, for example.

[Answer] No, the regulations prohibit this. The fact that a company easily circumvents these regulations is another matter. At a multifacility industrial plant, people are simply "exchanged," and it may happen that someone who is a worker in one factory--and for this very reason cannot perform the same activity as a VGMK member--in the afternoon walks over to another factory and there continues to work as an "outsider."

[Question] In the long run it seems inevitable that the trade union will spread its "protective wings" to the VGMKs....

[Answer] We consider the VGMKs--especially those in which the members work under the order of their own enterprise--a peculiar form of surplus labor undertaking. We feel it is important that the trade unions' sphere of influence extend to these small-scale enterprises. On the other hand, it is also a fact that--although SZOT is not against the VGMKs--we do not consider these enterprises worthy of imitation in the long run. We still cannot call their role into question. Beyond the advantage measurable in forints they can set an example of organization, discipline and material interest to the large-scale enterprises.

Number of VGMK in Each Megye



Lajos Faluvegi Statement

Budapest OTLET in Hungarian 10 May 84 p 13

[Statement by Lajos Faluvegi, deputy prime minister, chairman of the National Planning Office]

[Text] The small-scale enterprises must not take upon themselves the tasks characteristic of the large-scale industrial enterprises! We must see to it that the small-scale forms originating within the enterprises fulfill their true task, that they actually increase the company's results and contribute to a more balanced supply. We must prevent the creation of enterprise work associations for the purpose of concealing concerns arising from disorganization, negligence and omissions and for the exploitation of regulatory anomalies (for example, the obtaining of income by the enterprise work associations through the circumvention of wage regulations or overtime rules--exploiting the fact that fewer constraints afflict expenditures than wages).

Janos Fekete Statement

Budapest OTLET in Hungarian 10 May 84 p 13

[Statement by Janos Fekete, first deputy chairman of the Hungarian National Bank]

[Text] "Up until now in our country growth has generally been quantitative. More factories, more machines, more production. Now we have no money for this. To increase capacities with significant machine imports--this cannot be done at present. But what can be done is this: we can keep in operation the factories' machine stock--which represents a value of many billions of forints--not just for 8 hours but for a much longer time by means of enterprise work associations, whose members know the machines and work with them. If we keep in operation the same machine stock for a longer time, then we produce more national revenue, and I do not begrudge it if those who work receive their honest part from the surplus national revenue."

Ede Horvath Statement

Budapest OTLET in Hungarian 10 May 84 p 13

[Statement by Ede Horvath, enterprise director of the Raba Hungarian Wagon and Machine Factory]

[Text] "... (the formation of the work associations) has significance then if they are active in the service of the population at large. But how is it conceivable that I issue a numerically controlled processing machine or an assembly system to a work association? Because of our organization and technology this is inconceivable. However, I consider the emergence of a double income level harmful and demoralizing."

12327

CSO: 8125/1466

NEGATIVE FINDINGS ON VGMK'S BY CONTROL COMMITTEE

Budapest MAGYAR HIRLAP in Hungarian 9 May 84 p 5

[Article: "The Venture Is Inappropriate"]

[Text] The Capital People's Control Commission has determined that most enterprise work associations (VGMKs) do not fulfill the criteria which determine this type of venture. The committee yesterday debated the report on the VGMK operation prepared by the people's inspectors.

"My one eye cries, the other laughs," an enterprise director quipped recently. For it is true that the initial storms surrounding the VGMKs have subsided, yet there are still contradictions which bother my sense of justice. Just think, for example, that they are still not permitted to employ new members without restriction, or that it is not always possible to separate production during the workday and during the association's time.

These concerns do not stand alone. If we read the inspectors' report on VGMKs, we will find many similar observations.

Limited Scope

The governmental regulation which permitted the creation of new economic forms--the VGMK's among them--appeared just over 2 years ago. After some initial hesitation, in the second year VGMK membership doubled from the previous year, to almost 37,000 members in the capital. It is interesting that the enterprises were generally responsible for initiating the creation of the new associations, assisting with legal advice and organizational management. Occasionally, however, where more than one-tenth of the employees are VGMK members, they create a separate organization to coordinate the associations' activities and handle paperwork.

Knowing this, one does not wonder at the conclusion of the people's inspectors: "The majority of the VGMK's do not fulfill the criteria of this venture form, since during their operation they tend to become an organizational entity of the parent firm, and their scope of activity narrows "...where, for the sake of the

national economy, flexible, cost-sensitive and extensively demand-oriented entities would be necessary. However, the enterprises--as we have so often observed--do not always adhere to these priorities, for in many places they do not allow the undertaking of outside orders or activities. There is no problem in this restriction as long as the enterprise is continuously capable of supplying these groups with work.

At the majority of the 152 VGMKs examined, the daily or monthly work time and the upper limit on payable income were not preestablished. A single restriction imposed by only a few enterprises was that a 9-hour rest must precede the main workday. According to the inspectors' calculations, each member produced an average of 60 to 70 extra hours per month. This is, however, only an approximation since the workers are not required to keep a log of their hours.

This clearly contributes to the lack of reliable differentiation between primary job and VGMK-work. Presently, differentiation can only be made where the time and place of work is separable. A good example is State Construction Enterprise No 43, where employees may only undertake VGMK work in another development or building. However, where the extra work is a continuation of the primary job, confusion is complete. Often workers finish the low level of norm production in 6 or 7 hours, and then they regroup into the VGMK, frequently with the consent of the manager. It is precisely the manager who should prevent this activity; but frequently the manager is also a VGMK member, and this supervision is strictly a formality. At nearly half of the organizations under study, the local directors' membership in the VGMK is incompatible with his primary job.

With this subject, a little should be said about ventures in white collar work. Some of their tasks--for example conferences and administrative work--can only be completed during working hours. A few management and planning ventures thus keep track of hours lost in these activities and "compensate" with unpaid leave.

Earlier, many rumors surrounded the members' astronomical incomes. The current report confirms that members earn more in VGMK work--manual workers earn 2.3 times, white collar workers 1.8 times more--than during their regular working hours. However, this is balanced by the acceptance of more intensive overtime than that during regular working hours.

Mutual Advantages

The enterprises willingly pay these higher sums not only because they do not burden their wage fund, but also because they gain many other advantages. For example, they are not set back by delays from outside contractors. The utilization of the machinery is improved, and they can fulfill urgent export orders on time.

The enterprise work associations have proven that with better work requirements and initiative, workers are capable of significant extra production.

9890

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PUBLIC SERVICE BENEFITS DERIVED FROM WORK ASSOCIATIONS

Budapest MUNKA in Hungarian 6 Jun 84 pp 16-17

[Article by Mrs Dr Illes Kocso, secretary of the HVDSZ [Trade Union of Municipal and Local Economic Workers]: "Small Enterprises and Community Services"]

[Text] Nowadays the simpler managerial and organizational forms are increasingly being used in both production and services. The process of evolution of new managerial forms has started along the lines of new government guidelines concerning decentralization and with the purpose of performing background industrial production and service tasks reacting flexibly and sensitively to changing market conditions.

It is understandable, therefore, that these new forms are in the focus of public interest. For it cannot be indifferent to anyone what kind of business or public needs these small enterprises are able to meet; whether they can fill manpower shortages, whether they can improve the efficiency of [word indistinct] labor, or if they are not rather hidden forms of wage payments without being linked to performance; or what kind of influence they exert upon manpower management. Within the specific sectors which form part of the HVDSZ sphere of authority the greatest interest is perceptible in certain areas of community services and real estate management. These include services in housing, town, and village management which form those parts of material provision that in many ways influence people's standard of living. This is what makes these small enterprises so important. Obviously community public works are indispensable for the welfare of the housing areas. They provide such individual and societal needs as a clean environment (both housing and surroundings), beautifying the residential area and making it more pleasing aesthetically, fighting pollution and saving energy.

The standards of these services and the extent of the supplies are lagging behind the requirements in many communities. The small enterprises in question try to meet them by filling the gaps in many areas of services. Thus I do not find it illogical that interest has been growing recently in the subsidiary enterprises and GMK's [work associations]. For they are able to quickly, flexibly and efficiently perform services in the housing areas, alongside with the existing municipal public works, either within their organizational setup or separately.

In the case of the enterprises which manage real estate it is possible--depending on the structure and size of the tasks--to organically separate the branches in charge of maintenance and repair and to operate them as subsidiary enterprises. In such a setup they would be able to better perform such tasks as renovating

and overhauling buildings, repairing inside corridors, technical and machinery maintenance works. (In Budapest, for example, an association has been formed for building maintenance, the task of which is to develop the most useful patterns of such enterprises and to promote their optimal functioning.)

In our experience the subsidiary enterprises are contributing to the more efficient implementation of the construction plans of the real estate management enterprises and help meet the population's demands. This is the result of the fact that the sponsoring enterprise influences the selection of production tasks. (The authorizing decree includes a clause that 70 percent of the subsidiaries' capacity is committed to orders emanating from the sponsoring enterprise.)

Seventy percent of the GMK's established within the interest sphere of our trade union are performing productive tasks within the sponsoring enterprise. Three types of such activities are worth mentioning: capacity activities, which are occurring in areas wrestling with a constant manpower declines or have tasks for which they cannot find manpower because of social disdain for the type of work. In such cases the use of GMK's makes it possible for the enterprises to avoid further declines in their profits by escaping the financial and moral setbacks related to the failures of meeting contract deadlines.

—Return certain activities to the enterprise which were performed in cooperation with another enterprise to save costs.

—Ventures aimed at expanding the basic activity which can produce very profitable products in small lots or in individual units.

The GMK's working in the area of the HVDSZ create conditions for work outside of the employee's principal occupation, coopt expensive and undependable outside cooperation, relieve manpower shortages, reveal the organizational and human potentials to increase output and strengthen the workers' relationship with the enterprise. However advantages and drawbacks are still mixed in this system, primarily because the purposes for which the state or an enterprise creates GMK's are not identical everywhere.

The personnel of the GMK's is entirely recruited from the employees of the enterprises. Thus here the principle of "more work for more income" is asserted. Thus far there has been little possibility for doing so in the cities and so the people's willingness to participate in the GMK's reflects their interest in additional income. In our experience there is great interest for them in the area of intellectual work and in such manual occupations in which moonlighting is not applicable. But organizational work is slower where the demand is stronger for additional income than for finding a position. Usually it is the best trained and most diligent workers who join these small enterprises. Opinion in the factories does not or hardly appreciates this and those who do not benefit of such additional income are often critical of them. Earlier the lower performance of those workers who had been moonlighting on weekends was benevolently ignored by their coworkers. Yet nowadays the workers follow with jealous attention the performance of the GMK members. There have been various signs of this thus far. Thus it was noted that if the work time in the GMK's will not be centrally limited, after a while fatigue may badly affect performance during the regular work hours and may hurt the health of the workers involved.

There are of course also reactions and measures. For example the length of work in the GMK's has been limited to 20 percent of the monthly regular work time. Moreover it was decreed that only workers whose performance reaches 100 percent during the legal work time may participate in the GMK's. The purpose of these measures is for workers to maintain their physical strength for the regular daily tasks rather than for the extra work.

Another important area of services is consumer services from which I wish to point out particularly dry cleaning services and the activities of GELKA [Electrical Maintenance Enterprise of the Machine Industry].

Dry cleaning has greatly developed in the last 10 years. The acquisition of the new and valuable machinery has also been aided by government subsidies. However, the flexible supply forms to meet local requirements have not developed sufficiently. Our observation that the growth and spread of these enterprises was primarily a result of the constant urging of the state and social organizations and that of the increase in state subsidies rather than the outcome of the influence of societal interest seems to have a validity for the entire area of consumer services. The development of the GMK's has been made difficult by the restriction on prices that can be charged and by the responsibilities assumed for the valuable machinery.

A long-term solution could be for the large drycleaning workshops to provide community and lending services, while the population's needs could be met by a network of many independent drycleaning stores. The decentralization of GELKA was initiated on 1 January 1983. The enterprise then transferred most of its assets to the county councils which, either by themselves or through the local councils, founded 82 small enterprises. The reorganization wants to justify the concepts of industrial structure which in the service industry small enterprises are more advantageous and lucrative. In other words, contacts between supplier and customer should be direct, the customer should feel that he is dealing with a person rather than with an enterprise. Customers want to buy when and where their needs arise. They expect work to be done quickly, well and for acceptable prices. All these demands can only be met by an organization which is also interested in operating on such a basis.

An improvement in the standards of competition is important too. In other words, contract deadlines should be as short as possible, business hours convenient for customers, and complaints resolved quickly. At the same time a well-functioning background organization is needed to provide the small enterprises with spare parts. I would like to note that in the area of services widespread competition cannot be expected even if small organizations become widespread. Competition in this business sphere can only prevail in restricted geographic areas.

The management bodies of the HVDSZ espoused the cause of these small entrepreneurial initiatives. They were motivated in this by the conviction that they are thereby creating new possibilities for meeting the population's demands in the areas of industrial production, municipal public works and consumer services. They consider it their task to watch for unfavorable trends and to

resolve them with their state partners as they occur. Such problems may arise in the area of wages, safeguarding workers' interests and creating new capacities. We have trained our middle and basic organizations for those tasks that may occur in connection with the representation and protection of the interests of workers who participate in the new organizations. Trade union cooperation is indispensable in all these areas to perfect our leadership and management work.

12312

CSO: 8125/1466

CIRCUMSTANCES, REASONS FOR VGMK MEMBERSHIP EXPLAINED

Budapest MAGYAR IFJUSAG in Hungarian 18 May 84 pp 9-11

[Report by Gusztav Megyesi: "Overtime"]

[Text] "Are you planning to sleep with a woman tonight?" asked the short, pot-bellied man stepping from the charging room. Towering behind him, his foreman was trying to tell me in vigorous sign language that the pot-bellied man was joking and should not be taken seriously.

"I don't know yet," I replied with a measure of wishful thinking. The rubber plant stank and was very noisy, but spring was penetrating through the dirty windows. Time for love?

"It is nice to make love. But if you can, keep away from a woman tonight. You would only soil her with carbon black."

In front of the charging room, bags filled with carbon black. Only a few yellow bags among them. These contain sulfur. Further on, in the yard behind the rubber plant, shipments full of base rubber and fillers. These are the basic materials of rubber production.

The rubber plant is preparing for a sharp rise of its production.

"We are working with a new formulation," the foreman points out. "The VGMK [enterprise work association] is trying out the new technology. If it proves suitable, we will solve the recapping of tires. The recapped tire will be like new. Just imagine, the tire shortage in Hungary will cease within a few years. And we will have the VGMK's to thank for all this."

"Yes, there will be no more tire shortage," agrees the pot-bellied man. "This VGMK will save the world. It is good for the national economy, good for the enterprise, and good for the individual. But you must nonetheless remember to stay away from a woman tonight."

"What is the carbon black like?" I ask a truck driver. I get an answer not from him, but from one of the office clerks.

"It is good carbon black, from the Soviet Union. And it always arrives on time. Thus we have no complaints."

We are standing next to the mixer. It is past 2:15 pm. At such times the rubber plant is manned by members of the VGMK. Ten of them are now working overtime: six workers of the rubber plant, and four office clerks.

"Don't forget to write that the factory would close down without us. Because nobody else is now willing to do this dirty work."

They are lifting the bags and pouring the carbon black into the mouth of the mixer. Fine particles fly in the air and settle on the window pane. They say that the workers should be wearing cloth masks, but nobody wears one. Even if the cloth filters out the particle of carbon black, it does not allow one to expectorate.

Next comes the sulfur, and then the base rubber, after which everything begins to hum and clang, and the stock starts upward. "OK," shouts someone from the floor above.

"That is the engineer," points the clerk upward. "He too is a member of the VGMK."

A VGMK has 20 to 25 members. The figure is not exact because the number of members changes daily. Some members quit after 2 days because they are unable to stand the carbon black. Others do not quit but are willing to do only 20 hours of overtime a month. Most of the members have signed up for the allowed 60 hours per month, with the exception of the three or four members who work as much as 90 hours a month in addition to their regular hours. Allegedly this performance already borders on the limits of human endurance.

"There is a labor shortage and a capacity shortage," I am told in the production office. "And competition in the marketplace is intensifying. The customer is now able to choose from among as many as three suppliers. Therefore we must stimulate the men at all cost to work more, specifically at the sore spots in production. At the same time, we must also develop new products in order to remain competitive. Thank God, the men are willing to work overtime, but for a suitable income of course. They make up for the capacity shortage. For this very reason, the VGMK is a great invention: it permits the coincidence of interests."

I am looking at the rubber plant's schedule. From 6:00 to 2:00 pm is the "regular" day shift. Then the first group of VGMK members work until 6:00 pm. When they are through, they are replaced by the members of the night shift who work as small entrepreneurs until 10:00 pm and as the "regular" night shift thereafter.

"Don't rack your brain, the wage differential is threefold," says the truck driver who seems to know what question the reporter will ask next at this point. "The hourly wage is 20 forints during a regular shift, but 60 forints when working for the VGMK. Before you say anything, however, go and see the batchers upstairs."

I have already seen the batchers.

Upstairs the rubber stock descends from between two thick rollers. Two men stand at the machine. When a batch is about to fall off the roller, they grab it in a single motion and roll it. Then one of them takes the roll in his arms as he would a baby, and he runs with it to the other end of the shop. Meanwhile his companion rolls the next batch. A roll arrives every minute, and it is steaming hot.

"Is it hot?" I wanted to ask one of the batchers. But the others warned me: "Don't ask him, he does not understand. He is a Polish guest worker."

When his companion came, the workers again discouraged me: "It would be useless to ask him. He would only say that it was not hot. He is from Szabolcs Megye and regards even 100 degrees centigrade as only lukewarm. His palms are as tough as an elephant's hoof."

The workers in the rubber plant during regular shifts are mostly from Szabolcs Megye, and Polish guest workers. To them the work still seems worthwhile. And to the enterprise as well, because the Poles are quiet and also the workers from Szabolcs Megye are able to perform well. The enterprise is renting IBUSZ [Touring, Procurement, Travel and Shipping Company] rooms for them in Pest.

"And the elder workers," adds a man with a high-pitched voice who has been working in the factory for 20 years. "Only those stay here who are unable to go anywhere else. For after a time a person finds that he would like to go elsewhere but can't. He is unable to start a new life and go to another factory. It is the same with me. But if you write about me, say that I am staying out of loyalty to the enterprise."

I am listening to the data on the economic results of the individual VGMK's. The VGMK of the rubber plant is compensating for the labor shortage, as are the VGMK's for maintenance. But there are VGMK's that help to cut the enterprise's costs by undertaking certain work on weekends. For example, to make in 10 weeks certain tools that the repeatedly decorated and famous large-scale socialist industrial enterprise would be able to produce in three years, at four times the cost.

I am listening to the data and do not know where to put them. But I have been thinking for some time that our enthusiasm for small businesses is too one-sided. Almost without exception, we emphasize the economic advantages, why small businesses are good for the enterprise, the national economy, for the individual, etc.

But when a new type of collective is formed in a factory, this generates a magnetic field not only in the economic environment.

The chief of the product development department relates: "Upon my return from Cuba recently, the director called me and said that I would be responsible for developing a new formulation. I accepted the assignment without any hesitation. This was a rare opportunity for an engineer. If I succeed in developing a new formulation and in finding a suitable technology, then . . . what should I say?"

"The success would be yours?"

"Yes, it would be my success. My only condition was that I be given permission to join the rubber plant's VGMK. For at our enterprise a department chief may not be a partner in a small business, for ethical reasons. The principle states that it would not look right if enterprise executives were to do well-paid unskilled work in their own factory after regular office hours. But I had to become a member of the VGMK, and not for the money. I have no children and am fairly well off financially. To slave away for 60 hours in a stinking plant would be too high a price to pay. But I am responsible for the new formulation, and I must see day by day how my ideas are being realized in the plant. You hit upon some idea in the office, and then it turns out that the entire plan cannot be realized because of some minor detail. This is what I want to avoid. But this way I am able to perform every operation and all unskilled work within the VGMK; I am familiar with the machinery, the techniques and the workers. If there were no VGMK, I would still go down every day to slave away in the plant. Perhaps without the VGMK my work might be suspect and I might even be ridiculed."

"The money does not even matter?"

"It matters, but not as much as it did when I was younger. I graduated from the university in 1964, got married, and we needed an apartment and furniture. At that time there were no small businesses. Therefore I learned housepainting and earned the money for an apartment by painting houses on weekends and after work. I was an engineer and housepainter. If I had housing problems now, I would be able to earn 8,000 to 10,000 forints a month without neglecting my original profession. Small business provides a decent opportunity."

I talk about the mutual advantages with the personnel manager. Today he is working as a batcher. He looks 40, but his graying temples add about 20 years to his age.

"You cannot even imagine how many people envy us. Because we are getting 60 forints per hour for what others get only 20."

"And what do you answer them?"

"Nothing."

"Not even that they should try it and then be envious?"

"Not even that."

We both remain silent. After a while, he begins to explain: "You know, what bothers me is not that they are envious, but that the envious do not stop to think. They believe that with the 60 forints we have been bribed, and that this money is coming out of their pockets. And yet, the enterprise is making a substantial profit on us even so."

"Sixty forints is nonetheless three times more than 20, and the work is the same."

"Try to think of this differently. Consider why the regular hourly wage here is specifically 20 forints. I have thought about this but do not know the answer. A blue-collar worker does not have the faintest idea why our hourly wage is this much, and our pay that much. A blue-collar worker does not have the faintest idea how much value he creates with his labor, and how much of that is the enterprise's profit. It might be 100 forints, or perhaps even 200. In either case, however, the hourly wage is 20 forints. Where does the difference, the produced value, go?"

I was about to say that it goes into the channels of social redistribution, but he interrupted me:

"It is true that society and we ourselves share in the produced and redistributed value. But that same value is used to support also the unprofitable enterprises and the unnecessary bureaucracy. If merely a filler of the produced value is channeled to where it does not produce any profit for society, the worker has already been shortchanged."

"Are you people working efficiently? Are you really producing value?"

"You see, that is exactly the point. I come down, get covered with carbon black, and no one knows whether what I am doing is socially useful. In principle my work might not be worth even 20 fillers."

"But you still earn 60 forints. Which means that you are better off."

"Perhaps. Viewed from here, I am better off. Viewed from there, I am worse off. God alone knows what the situation is."

The chief of the organization department, who originally worked out the rules for the operation of the VGMK's at the enterprise, says: "Two years are not such a long time, but already it is clearly evident that the establishment of the worker collectives has created a new set of values. The person who joins a VGMK knows unambiguously what he has to do, and how much he will be paid for doing it. He is able to measure his effort and also his profit, every minute that he works. He clearly knows what he himself is able to do, and what his fellow workers are able to do. He has an interest in expelling from the team the worker whose performance is unsuitable. Or even himself, for there have been such examples as well. Either way, the team retains only the members who are able to produce a profit for the collective, and who are constantly seeking better and more useful solutions. And what I regard as very important is that these VGMK's are formed voluntarily, they elect their own representatives and leaders, distribute the work among themselves and decide the remuneration within the group. And behold the miracle: the very people whom we managers at our desks have rated as indifferent and uninterested are the ones who regard it practically as something natural that they should be active in the work of the VGMK's and help run them. And merely because the collective's objective is clear, the interest relations are perceptible, and the individual is able to identify with the collective's operation."

"And what is the price of this?" I ask the department chief, who is also the trade union's chief steward at the enterprise.

"The price is that it is becoming increasingly difficult to persuade the workers to do voluntary work, to join labor competitions, and to participate in the brigade movement."

"That is logical," I replied. "I too prefer to work for money, not for free."

"This is not merely a question of money. As I have said, two years of experience is not much, but it is already evident that more than money is involved."

I ask a worker whether he is a brigade member.

"Of course. Everyone in this factory is a member of some brigade."

"Which brigade do you belong to?"

"The product development brigade, because that is where they were able to squeeze a place for me."

I want to question him further, according to the ground rules of a report on a brigade, but he interrupts me.

"Look, this is rather complicated. The point is not that I am against brigades. What I don't like is when they overdo it. I am a member of the brigade in the office, but I really feel that I belong to the rubber plant's collective. Don't think that we go to the theater or on excursions together. These days nobody has time for that. What brings us together is our work. I sit down for two minutes to catch my breath, and that fellow from Kisvarda sits down next to me. He tells me he has two kids at home. I tell him I have only one. He is building a home, I am preparing to swap apartments. I know who lives where, how they are living, what they are thinking, and what they are like. I hardly know anything about the other fellows in my brigade. Occasionally we do get a bonus, and then we go out to celebrate. Incidentally, the bonus is 300 forints, sometimes 400. However, the ones who truly benefit from the brigade's work are not we but those who report that the brigade movement is developing. Wait and see. It will be discussed openly three or four years from now. Admittedly, it should be discussed already now. But this is a delicate matter. Collectives should be allowed to form where there is a need for them. But there should be no brigade where none is formed because the men do not want one. And they should be allowed to form one where they want to do so. Let the people choose for themselves."

"You have opted for one. Has this resulted in any drawbacks for you?"

"Our work is necessary. Without our VGMK, the factory would grind to a halt. Therefore they are not bothering us with voluntary work and cultural programs. But there is a designing VGMK for whose work a few enterprise managers intentionally have not ensured the necessary conditions; for example, they have not allocated materials, saying that the regular shift needed the materials. But since the VGMK is producing milk for the managers--or should I say nicely, since the managers have a financial incentive to support the VGMK--there is material. Another VGMK requested permission to procure its own tungsten carbide

blades. Well, the enterprise's management objected; if the VGMK were allowed to procure its own blades, it would become too independent of the management. Yes, the VGMK's are needed; but if one of them wants to grow, it immediately encounters obstacles."

He shows me a piece of rubber.

"Is that a doormat?"

"You are close. It is a sample of a rubber carpet, made in Denmark. Look, if we were able to produce this tomorrow, ours would be the world market."

"Well, why don't you start producing it?"

"For that we would need machinery and materials. But the demand would cease by the time the enterprise could start production under the present conditions. Yet our VGMK would be able to do it, if we were able to procure the materials and equipment. We have the know-how and organization to undertake such production. Only . . ."

"Only what?":

"Look, up to now I have said only good things about the VGMK, and that is how I feel about it. But unless we urgently salvage for industrial production in large-scale industry and the entire economy the useful experience gained in the small businesses, the whole thing does not make much sense. For then this reform is only half of one, and half of a reform is no reform at all. A few people will be allowed to earn much, and they will keep their mouths shut. But what about the others?"

A friend, a trade-union secretary, has been saying for over 2 years that the VGMK's only serve to make the people money-minded. Pledged voluntary work has lost its prestige, and there is no longer any pride in common effort, in belonging to a brigade. Money-mindedness is undermining the results of the brigade movement.

I once asked him by what yardstick was his performance measured.

"The workers measure my work on the basis of . . ."

"Not the workers, but your superiors."

I heard a complicated explanation of what makes a trade-union secretary a good one.

"Let us assume that you are representing the interests of your workers well. But suppose two brigades are dissolved in one of the plants because the brigade members want to work in VGMK's, in order to be able to build homes for themselves. They work day and night and have no time for life in the brigade. In the eyes of your superiors, will you then be a good trade-union secretary?"

"No, my superiors would not regard me as a good trade-union secretary. They would ask me what was happening at our place that two of the brigades have been dissolved."

As I said, this trade-union secretary is my friend. I suspect that is the only reason he admitted that he would urge the further development of the brigade movement, the voluntary work projects and joint meetings even if they were perfunctory and there was no demand for them at the plant. Because anyone in his position was expected to do so.

"What would you be doing now if you were not working for the VGMK?"

"I would be at home with my daughters. One is 11, the other 9."

"Are they now alone at home?"

"Their mother should be at home by now."

This young man, about 30 years old, came from the office. He is on the payroll as a blue-collar worker but is doing office work. In other words, he is a concealed white-collar worker. He pulls his cap down to his eyebrow.

"We already have an apartment, although we will be paying the last installment on the mortgage in the year 2000. But we will have paid for the furniture by the end of this year. But then there are the two girls. I buy the elder one a windbreaker. She will outgrow it in six months. OK, it will be handed down to my younger daughter. But she too will outgrow it in another six months. Then I have to buy another windbreaker. And the food. They eat more than I do."

He is the young man who allegedly has worked as much as 100 hours one month in the rubber plant.

"How long do you plan to continue this?"

"As long as I can."

"When was the last time you went to the theater? To a motion picture? On an excursion? When was the last time you went with your children on an excursion?"

They were on an excursion six months ago. His answers to theater and motion picture were in the negative.

Uncle K., at 56 the oldest member of the VGMK who likewise works in product development, is of the opinion that such work should be allowed for not more than 18 months. We were discussing whether it was fair to give everyone the opportunity to work as much as they were physically able to work. At least those who have useful trades, or who have the physical strength and are clever, should have it easier.

The office worker wearing the cap says: "But dont cry for me, for I can't complain. The family, too, has become accustomed to my working in the VGMK, and that is the essential thing. I have not been working in vain: my income has doubled. Once we will extricate ourselves from our difficulties, and everything will be fine."

The short, pot-bellied man is coming toward me in the yard and starts waving from afar. "Well, you haven't forgotten what I told you?"

"No," I reply. He faces me and grins. "You will now go home, write a nice article about the advantages of the VGMK, then wash and go to your girlfriend. Right?"

It is again spring. "Perhaps," I answer.

"But then comes your surprise. You do not know what carbon black is like. It is insidious. It eats itself into your skin, but in such a way that you will not even notice it. You wash your hands, feet and neck and think you are clean. But in the evening, when you least expect it, the carbon black will work loose. You will be making love, but everything you touch will turn black. Yet you have been strolling around the rubber plant only half a day. That is what carbon black is like."

He points a stubby finger at me and pokes my sweater.

"I have been doing this for 10 years. I earn well and am happy. But the carbon black exacts its price. Anyone working with carbon black pays for it with his love life, family and dreams," he adds, like a poet. Then he turns around and disappears into the darkness of the charging room.

Only later do I notice that his stubby finger has left a dark spot on my sweater, like a felt pen about to run dry.

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POSITIVE ECONOMIC, SOCIETAL ROLE OF PRIVATE SECTOR ACTIVITY EXPLAINED

Budapest IFJU KOMMUNISTA in Hungarian No 4, 1984 pp 40-43

[Article by Dr Mrs Erzsebet Kosco, Ho Si Minh Teachers Training College, Eger:
"Will the World of Private Enterprise Return?"]

[Text] Those who raise the above question fear for the sake of socialist ownership, noting that the small enterprises might bring about trends pointing toward the restoration of private ownership. The expansion of private property might result to the detriment of public ownership. Moreover, so the saying goes, they might threaten the socialist conditions of the division of income, since the enterprises in question require money (capital) that produces returns with profit and thus becomes a way to earn money without work.

These misinterpretations are derived from the fact that the small enterprise organizations (small scale production), particularly the new small enterprises, are confused with the private sector that produces small goods, in the vernacular called "maszek" sector. Therefore, these small enterprises are regarded as "alien bodies" in socialist economy. Production in small workshops forms part of the socialist division of labor, it is a complement of socialist production in large factories. Part of the expanding, differentiating and quickly changing societal needs can only be met, at the present developmental stage of mass production, with the help of small-size organizations. These are putting out products and performing services which in the framework of the large enterprises cannot be undertaken or would not be profitable.

Small ownership is the proper pattern for small scale production. The traditional form of small ownership is the small private property (handicraft, small trade). Along with the small private property other patterns of ownership have arisen, which are characterized by their links to other forms of ownership, in other words they are not purely private ownership forms. Such are the ownership links of the agricultural household plots and auxiliary farms. (This topic was discussed by the Academician Mrs Katalin Szikra Falus in a lecture entitled: "The Place of Small Property in the Socialist Economy," reviewed in KOZGAZDASAGI SZEMLE No 1, 1984.)

The forms of small property involved in small enterprises are multifaceted. In the following I shall try to sketch out their characteristics, although they are not fully developed patterns since they are still just in their initial stages of evolution.

Small Ownership Patterns Under Socialist Ownership Conditions

Among the new entrepreneurial variables the small enterprises, the subsidiary enterprises and the small cooperatives are all firmly based on public ownership. Of these the small cooperatives may also be privately initiated (aside from the breaking up of an existing cooperative and the resulting separation of certain units). The founding members (15 to 100) have to provide the initial capital of the coop. The condition for a coop membership is personal participation in the coop's work in addition to financial contributions. Thus the small cooperatives may be regarded as associated ownership communities whose production base makes up a part of public property.

Other forms of small enterprises are also closely related to the concept of public ownership. Let us review these forms and analyze how they are linked to state or cooperative property.

In the framework of the contractual operation of small industrial and service units most of the means of production (fixed capital) are owned by the state and most of the working assets by the manager. The managers of such contractual units direct production or services in the name of the enterprise but on their own responsibility. The employees of such units are workers of the enterprise. This pattern is a business association based on mutual interest. The competitive bidding concerning the contractual operation of a unit will be won by the one who promises the biggest profits to the leasing enterprise (i.e., indirectly to society). "A contractual operation is on the one hand a branch of the enterprise that is run with a great measure of autonomy, on the other hand it is a limited private enterprise in which the limitations affect precisely the ownership relations, i.e., the sphere of authority of the owners." (More about this in Istvan Kalasz' and Gyorgy Szepesi's book, "New Forms of Small Enterprise Management.") The system of lump sum accounting is a modified version of contractual operation adapted to the characteristics of cooperatives.

The leasing out of industrial and service units means they are rented by handicraftsmen or business work partnerships. The means of production remain within public ownership but their operation is of private character.

Industrial and service specialized coop groups may be created by industrial and agricultural producer cooperatives, or by AFESZ (General Consumer and Marketing Cooperatives), within their own organizational framework. (Earlier specialized groups could only be established for agricultural activities.) Such groups are operating with capitals invested by both the cooperative and its members. We can detect the specific combination of private and social ownership also in this kind of enterprise pattern, in which the primacy of social ownership is still obvious.

The enterprise work associations (VGMKs) are collective undertakings within the enterprise. They operate primarily with the capital of the founding enterprise. This enterprise form is the most successful. Insofar as their ownership relations are concerned their affiliation is clear.

The typically private enterprise forms may be divided into two categories: individual enterprises of private citizens in the areas of small private industry and private commerce, and joint enterprises of individuals, i.e., business associations based on civil law and work associations. Actually, on 1 January 1982 only one private enterprise form was created, i.e., the GMK [work association].

The GMK (a modern version of business associations based on civil law) operates with its own capital invested by private persons. In addition to their financial contribution the founders are obliged to participate personally in the GMK's work. Thus the money (capital) invested cannot be a source of income without work. Yet members receive dividends at year's end in proportion to their financial contribution. (It is characteristic for all forms of small enterprise that personal income includes also a dividend-like element.) Yet their distinctive feature is neither capital contribution nor private ownership of the means of production, because everyone has to work regardless of the amount of his contribution. Insofar as some features of their ownership relations are concerned, they stand closer to the simple cooperatives.

Artisan shops and retail trades are clearly privately owned. Part of the private sector that produces small-scale goods, i.e., the artisans and retailers, are owners and workers at the same time. Their accumulation possibilities are limited under socialist conditions. Concomitantly with the formation of new organizational patterns the law concerning artisans was modified and although the procedure of concession of licenses became easier and the area of the business activities of retailers became larger, these changes have served to make socialist economic management more efficient. For example, thus far they could operate mainly in the areas of services and the production of small goods to fulfill certain public demands, but they can now cooperate with the larger economic organizations to supplement the needs of a background industry.

It follows from what was said above that the great majority of the small enterprises, despite the great variety of ownership relations in them, are closely connected with social property and they function interrelated with it. If they operate properly, they augment social property. An increase in small private property is not at all what characterizes them in the first place. A restoration of the private ownership system is not envisaged. The emergence and spread of small enterprises does not entail the expansion of private property to the detriment of public ownership.

We should also change our views concerning private ownership. Tamas Sarkozy, analyzing the theoretical problems of socialist enterprise (TARSADALMI SZELME, No 1, 1983) wrote the following: "...if socialist policy economics, according to Engels' teaching, adopt the position that capitalist state property (which in many countries, as in Austria, may be very sizable) can have a stimulating impact, then it is hardly justifiable to term summarily the individual property of the citizens in a developed socialist society as private property."

Individual Profit-Societal Interest

The domineering and determining role of social ownership makes it ultimately possible in a socialist economy to indirectly assert public interest through transpositions. The ruling role of socialist ownership relations is not restricted to the public ownership of the means of production but it also asserts public

interest in the planning, regulation and economic management, based on socialist ownership relations of all existing forms of ownership. The fact that the activities of small businesses have been better organized means essentially that they are now plugged into the regulations and the system of macroeconomic management. The question is no longer whether we should "suppress or regulate them" but only "how to regulate them?" Such regulations may only be successful if connected with an improvement of the internal, above all interest-related, conditions of the big socialist enterprises.

The small enterprises, if properly regulated, do not threaten the socialist income distribution.

It is true that part of the new enterprise forms are characterized by the contractors' investment of money, and they in turn are reimbursed with profits. But we should not forget that in addition to their financial contribution they are obliged to contribute also with work; the dividends are regulated, hardly higher than the interest rates on long-term deposits. If this "profit" did not exist, what would prompt individuals to reinvest their savings in the production process? If we take it into account that such enterprises are filling voids, they help meet the demands of the population, this profit is not only a personal advantage. On the other hand, if the enterprise fails, it becomes a personal loss for the entrepreneurs.

These small organizations do not violate the principle of income distribution according to performance since they can always provide income for their members depending on their performance. Of course, better performance, more flexibility and more rational risk-taking may make it possible to obtain a larger than average income. Yet we should take into consideration that this income is not guaranteed for economic units which are not owned by the state.

We cannot deny that there are tensions concerning income conditions, the resolution of which is a task still before us. Our experience with the small enterprises has already pin-pointed the dangers (for example in the enterprise work association's incomes may be obtained which are not commensurate with the increase in performance in the same workshop). We should not forget that the basis of our assessment should be the results of the activities. But these phenomena and the tensions nevertheless call our attention to the need to review the income conditions and the financial incentive system of the socialist sector.

In the opinion of many people entrepreneurship is an easy way to obtain money and to get rich quick. But on the contrary it was precisely the decision to create such small enterprises that brought about the situation in which no activity may become an easy way to earn much money, and no economic sector, enterprise or undertaking may become an area that can be monopolized. The possibilities for expanding entrepreneurship have been expanded since 1 January 1982. Yet it then turned out that there were not as many enterprising individuals as the number of those who had earlier felt a desire for this had indicated. Many compared the advantages and disadvantages of financial security (fixed income) and the greater risks involved in a non-guaranteed income. Most applicants considered keeping

their main job as well as participating in an enterprise an ideal solution. This was proved by a KSH [Central Statistical Office] survey on the experiences in the first year of the existence of small enterprises. At the end of that year 65,000 persons worked in the new small enterprises; the majority of them have also kept their original jobs. Thus from our 5 million income earners only 18,000 had a position in the new economic units as their main job. This shows that the emergence of these new enterprise patterns has not elicited a substantial shift in the labor structure that so many had feared. On the contrary, part of the new units are helpful in holding and stabilizing the skilled labor in the enterprises and cooperatives since the majority of their members have been recruited from the workers and pensioners of the main units. Manpower migration is characteristic in areas where the managers have blocked the creation and operation of enterprise work associations in the enterprise and forbidden any possible cooperation with them. Under the present difficult conditions it is a question of social as well as personal interest to have the possibility to work more (in the hope of earning more) for anyone who is willing to make above average efforts in order to fulfill his aspirations.

The small enterprises we may primarily expect to better fulfill the population's demands and help supplement the work of the large organizations. Our experiences have shown so far that these new forms of enterprise have complied with the socialist economic order and our socialist ownership system well. The process of compliance is not devoid of contradictions. In order to gradually solve these contradictions we need an appropriate social atmosphere. It would be important that the assessment of the ownership forms and social role of the small enterprises should become more realistic and that the prejudices should disappear. We have to take into consideration that it is always the type of property that counts, while the forms of property are merely formal expressions of the contents. In a socialist society the form of property is a means rather than the goal. Small private property and the variegated, not clearly private, ownerships forms which constitute the great majority of small properties can, if they function properly, help our socialist society attain its goals.

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